DEPARTMENT OF COMMERCIAL INTELLIGENCE AND STATISTICS, INDIA, CALCUTTA

# REPORT

ON THE

# WORK OF THE INDIAN GOVERNMENT TRADE COMMISSIONER, OSAKA

## DURING 1937-38

BY

R. R. SAKSENA, Esq., M.A., B.Sc., LL.B.



DELHI: MANAGER OF PUBLICATIONS
1939

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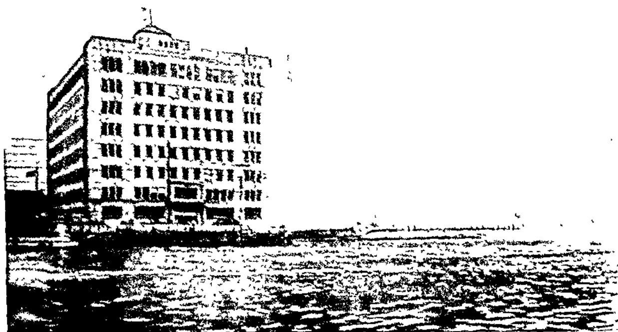
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# DEPARTMENT OF COMMERCIAL INTELLIGENCE AND STATISTICS, INDIA.

1, Council House Street.

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No. J. T. C.-R.-1.

*Calcutta, 9th November, 1938.*

FROM

DR. J. MATTHAI, C.I.E.,

DIRECTOR GENERAL OF COMMERCIAL INTELLIGENCE AND STATISTICS,

TO

THE SECRETARY TO THE GOVERNMENT OF INDIA,
DEPARTMENT OF COMMERCE, NEW DELHI.

SIR,

I am forwarding herewith for the information of the Government of India a report dealing with the work done by the Indian Government Trade Commissioner, Japan, during the year 1937-38.

2. The Trade Commissioner's office was formally opened at Osaka on the 24th May, 1937. Mr. R. R. Saksena is the first Trade Commissioner to hold the office and this is his first Annual Report. The delay in the submission of the Report is partly due to the preparation of certain other reports in which the staff of the Trade Commissioner had been engaged and partly to the Kobe floods during July and August, 1938, which caused a disruption of transportation facilities between Kobe and Osaka and dislocated the work in the office of the Trade Commissioner.

3. The report is admittedly [illegible] the first report of its kind; it has [illegible] in it a detailed account of the [illegible] tive factors which have affected [illegible] Chapters II and III of the Report describe the economic structure and laws of Japan and refer to the legislative measures and ordinances which have influenced her foreign trade in recent years, especially during the period under review. These Chapters provide a fitting background for a detailed examination of the problems relating to the trade between India and Japan.

4. Chapter IV deals with the Foreign Trade of Japan. The period under review may be divided into two sections, *viz.*, (1) the

pre-control period covering the first six months of 1937 and (2) the period beginning with the second half of 1937, in which the system of Government control was introduced and brought into full play, while the first half of 1937 was marked by heavy purchases of raw materials for industrial uses from the principal agricultural countries, in the second half imports of articles required for the munitions industry such as mineral ores, metals, chemicals, oil and machinery from industrial countries entered prominently into the foreign trade of Japan. As regards Japanese trade with India, both exports to and imports from India in 1937, as compared with 1936, showed substantial improvement—15·4 per cent in the case of exports and 20·6 per cent in the case of imports—the trade balance moving further in favour of India. In the first quarter of 1938, Japan's import trade with India showed a decline of 76·7 per cent as compared with the imports in the corresponding period in 1937. This enormous shrinkage was the direct result of the Control measures adopted during the latter part of 1937. Exports from Japan to India during the first quarter of 1938 also shrank considerably—30·6 per cent as compared with the corresponding period of 1937, and 24·6 per cent as compared with the same quarter in 1936.

5. Chapter VI deals with the commodities which figure prominently in the import trade of Japan from India, such as cotton, hides and skins, pig iron, oilseeds, manganese, mica, shellac, etc.

Raw cotton usually constitutes more than a quarter of Japan's total imports of foreign goods and 40 per cent of this is supplied by India. The commodity represents about 20 per cent of India's total cotton exports and more than 80 per cent of her total exports of all commodities to Japan. During the three years ending 1937-38 more than 53 per cent of India's total exports of raw cotton has gone to Japan. There is now strict official control regarding the cotton industry in respect of production, distribution and price.

The increased demand for leather in 1937 due to the Sino-Japanese conflict and the practical stoppage of exports of hides and skins from the hitherto principal source of supply, *viz.*, China, were responsible for the remarkable increase in imports of hides and skins from India.

During the three years ended 1937-38 more than 21 per cent of India's production and 58 per cent of her total exports of pig iron have been consumed by the Japanese iron factories and ship-building yards. It is understood that the publication of statistics relating to Japan's production and imports of pig iron has been discontinued since the middle of 1937.

About 80 per cent of Japanese consumption of manganese is met by India. With the rapid expansion of her iron and steel industry Japan's purchase of manganese ore from India has been steadily increasing.

Japan is not a large purchaser of raw jute and she hopes to meet her requirements from that produced in Formosa, North China, Manchukuo and Japan proper. Japan takes less than 3 per cent of India's total exports of jute manufactures.

Shellac is imported into Japan entirely from India.

Japan buys mica mostly from India and is her third best customer for this material.

The intensive cultivation undertaken in the Japanese Empire, Manchukuo, North China and South Seas Mandated Territories, makes it probable that in course of time Japan will attain self-sufficiency in the production of oilseeds. The bulk of Japan's purchase of oilseeds from India consists of castorseed, of which she is her second best customer. India's chief competitors in the Japanese market in this line are the Dutch Indies and Manchuria. Owing to the unsatisfactory quality of the Indian cotton seed, Japan obtains her present supplies from Tientsin (China) and East Africa.

There is very little demand for Indian linseed in view of the intensive cultivation of flax in Japan, Korea, etc.

Japan's imports of oilseed cake from India consist mainly of rape seed cake. The future trade with Japan in this line is likely to suffer from competition from the indigenous product.

6. Chapter VII deals with the important question of price movements in Japan. The period under review can scarcely be described as normal owing to the repercussions of extensive hostilities in China and the Government's strenuous efforts through various control measures to minimise their effect on the economic structure of the country. This renders a proper appraisement of commodity prices in Japan during this period somewhat difficult. On the basis of 100 for December 10, 1931, the general index of wholesale prices for the first half of 1936 averaged 151·2 as against 159·4 for the second half, the largest advances were observed in respect of imports (204·8 against 223·4 during the second half) and exports (135·1 against 146·5). The wholesale price index for the year 1937 shows 189·4 against 155·3 of 1936, 149·6 of 1935 and 147·5 of 1934. The various measures taken to control prices are fully described in this Chapter.

7. In the period under review no fairs or exhibitions of sufficient importance to justify India's participation were held in Japan.

8. Owing to the Sino-Japanese conflict the trade activity of Japan during the best part of last year is little more than a record of the laws and ordinances promulgated by the Japanese Government. These measures greatly restricted trade. As long as hostilities continue, the scope of beneficient activity on the part of the office of the Indian Government Trade Commissioner in the interest of Indian trade is bound to be limited.

9. I wish to record my appreciation of the work done by Mr. Saksena and his staff under peculiarly difficult and trying circumstances. I also take this opportunity to acknowledge the assistance and co-operation given to Mr. Saksena by the official and semi-official bodies of the Government to whom he is accredited and by the British Commercial Embassy in Tokyo and the British Consuls-General in Osaka and Kobe.

I have the honour to be,

SIR,

Your most obedient servant,

J. MATTHAI,

*Director General of Commercial Intelligence and Statistics.*

# CONTENTS.

# Report on the Work of the Indian Government Trade Commissioner, Osaka, during 1937-38.

## CHAPTER I.

### INTRODUCTION.

I arrived in Kobe on April 8, 1937, to take up my appointment as the first Indian Government Trade Commissioner in Japan. It had been decided by the Government of India that the office of the Trade Commissioner should be established in Osaka. The task of selecting a suitable site for the new office in this commercial metropolis proved unexpectedly difficult. The Osaka Building which houses the principal Consulates had no accommodation to offer, and at the time the prospects of obtaining a footing in this building in the immediate future were remote. Efforts were therefore directed to obtaining accommodation elsewhere, and it was only after a prolonged search which continued for nearly a month that a floor area sufficient for the needs of the office was rented on the 4th floor of the Daini-Nomura Building in the busiest, and perhaps the noisiest, part of the city. The office was formally opened on May 24, 1937, after notice had been given to the Prefectural authorities in Osaka. Intimation of the opening of the office was also sent to Government and Municipal authorities, Chambers of Commerce and Trade Associations, Consular and Trade Representatives of foreign Governments and prominent business houses in Japan. The selection of the Nomura Building was in the nature of Hobson's choice. When therefore on completion of an air-conditioned annexe to the Osaka Building, the office of the British Consul-General was shifted to the new block and his old office was offered to me I readily fell in with the proposal, and removed to the Osaka Building on September 1, 1937. I am greatly indebted to the Acting British Consul-General in Osaka for his kind assistance in the search for office accommodation and for finally prevailing upon the Management of the Osaka Building to offer the offices he had vacated to me. The office is now situated in the best part of Osaka and is within easy reach of the trade and commercial centres of the city.

Since the inception of this Office a large number of inquiries have poured in which would be dealt with more fully in a later Chapter of this Report. Necessary information in respect of certain commodities called for by the Tariff Board in India has also been supplied. During my two visits to Tokyo, personal contact was established with the officials of the Ministry of Commerce and the British Embassy, and in some of the more important towns talks have been held with prominent businessmen on the subject of encouragement of the export of certain specific commodities from India. Unfortunately a combination of adverse factors has been responsible for circumscribing

the activities of this office during the period under review. *At the time the* office was established, the Ministry in power was headed by General Senjuro Hayashi. It was generally believed that the Hayashi Cabinet which had been inaugurated only in February, 1937, would not be able to provide Japan with a stable Government. This expectation proved correct. The General tendered the resignation of his Cabinet on May '31, and was succeeded by Prince Konoye whose appointment was generally acclaimed. The country was at this time faced with many serious financial and economic problems the most important of which perhaps was the continuance of the adverse balance of trade, which had amounted during the first quarter of the year to about Y. 300 million. Rising prices of raw materials, the necessity of increasing the stocks of iron and steel which had shown serious shrinkage, active speculative imports in anticipation of budgetary expansion and general tariff revision, the heavy purchases of war materials, and lastly, the adoption of a policy of economic nationalism by countries which had provided an outlet for her surplus goods were threatening the country's economic stability. The confidence and respect inspired by the Konoye Cabinet was, however, such that the country was optimistic that these difficulties, serious as they were, would in course of time be surmounted and an era of prosperity would be ushered in. These hopes were frustrated when on the 7th July, six weeks after the opening of this office, the guns went off at Lukiachow and precipitated a major conflict between China and Japan. Even in normal times economic activity in this country is largely influenced by Government and it therefore followed as a natural consequence that during the continuance of this abnormal national emergency the direction of trade and industry should come to be regulated by legislative and administrative measures. The history of trade activity in Japan during the major portion of last year is thus little more than a record of the laws and ordinances promulgated by the Japanese Government. The effect on trade of the numerous measures adopted last year, as will be explained more fully in the later Chapters of this Report, has been of a highly restrictive character, and so long as hostilities continue the scope of beneficent activity on the part of this office in the interest of Indian trade will remain extremely limited. Before dealing specifically with the trade in commodities, it is proposed to describe briefly in Chapters II and III the economic structure of this country and to refer to laws and ordinances which have exerted an influence on her foreign trade in recent years and specially during the period under review. The explanations offered in these Chapters may not necessarily have a direct bearing on the Indian export trade to Japan, but they are considered important as providing a suitable background for the proper consideration of Indo-Japanese trade problems.

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## CHAPTER II.

### ECONOMIC STRUCTURE.

Despite her very rapid industrial development during the last 50 years Japan is even to-day a predominantly agricultural country. The agrarian population is estimated to be 48 per cent of the total population of Japan proper. The agricultural holdings are however generally small, and the

income earned by the farmer from agriculture is inadequate for his needs. He has therefore to supplement it from other types of productive effort. Japanese farmers have generally been engaged in such collateral enterprises as cocoon raising and the manufacture of articles referred to as "rustic fine arts". A policy of agrarian industrialisation with the object of introducing industrial undertakings suitable to the peculiar geographical and climatic conditions of each district has been pursued in recent years. A survey carried out in 1932 showed that from 1924 to 1929 the distribution of factories between urban and sub-urban districts in Japan was in the proportion of 55·1 to 44·9. In the period from 1929 to 1932 however the proportion of factories in cities declined to 52·8 while the ratio for suburban districts increased to 47·2. Outstanding among the products turned out by the rural factories are canned fruit, processed fruits, vegetable oils, dextrine, neckties, socks and stockings, obi cloth, homespun cloth, footgear, bambooware, furniture and dairy products.

Apart from agrarian industries the most noticeable feature of Japanese economic life is the existence all over the country of home-cum-factory establishments which are run on [illegible]
ly untramelled by factory [illegible]
side with these numerous [illegible]
large scale production and employing the mostup-to-date machinery and equipment. It is not infrequently the case that the products of the small workshops are collected and taken to large factories either for purposes of assembling or for execution of processes required to convert the article into a marketable and exportable commodity. The products of the factories, small or big, are handled by middlemen, the bulk of them passing ultimately under the control of large trusts or cartels. The latter which number only 31 and of which six occupy a position of pre-eminence practically dominate economic activity in Japan and are only amenable to the supervisory control exercised by the Government. It would thus be observed that the economic structure of this country is pyramidal in shape, the base being composed of a very large number of productive concerns, the upper strata being occupied by corporations of increasingly large sizes culminating in the Trusts with the Government at the apex. The latter in order to prevent wasteful competition and direct economic activity into profitable channels, exercises control over almost every phase of national life.

The control over trade has been exercised through numerous organisations and trade associations, some of which are required to be established under the law. Under the latter category fall the trade guilds or "Kumiais" which are constituted for the purpose of regulating exports from Japan under the "Export Association Law" of 1925. The regulative activities of the "Kumiais" fall under the broad definition given in Section 2 of Article 3 of the aforesaid enactment which reads as follows:—

> "the conditioning of exports handled by members and other necessary supervision, or the restriction regarding business operations."

In 1931 and 1934 the law was revised so as to provide for the expansion and the intensification of the regulative activities of the associations. The

primary object of the associations being the elimination of undesirable business practices pursued by their members, the revisions of 1931 and 1934 expanded the power of control vested in the associations from *expost facto* corrections of malpractices to their prevention and at the same time added new provisions regarding the institution of rules and agreements for control activities, and for the restriction with reference to the price and quantity of exports, and also regarding the supervisory power of the Minister of Commerce and Industry. The law also provides that associations should be established only for those staple exports which have been selected by the Minister of Commerce and Industry. The existing exporting associations fall under the following three classes :—

1. Those organised by merchants who export to any foreign market one and the same variety of merchandise.
2. Those organised by exporters of various kinds of merchandise to one particular foreign market.
3. Those organised by merchants who export one specified class of merchandise to one and the same foreign market.

The following are the types of regulative activities practised by the Kumiais :—

1. *The quality control of exports* (*conditioning*).—Hosiery is subjected to this control by the export associations. Certain other types of merchandise, *e.g.*, brushes, cotton blankets and bicycles are inspected by special organs established jointly by exporting associations and industrial associations.

2. *The control of export quantity.*—Export quantity control is clearly distinguishable between active or preventive control and passive or corrective control. The former represents various control measures adopted for the prevention of the instability or the collapse of the prices of Japanese exports in foreign markets. The latter type of control represents such countermeasures as are adopted to cope with the import quota system imposed by the importing country. It is a common practice for the association to retain a portion of the total export volume for its own discretionary use, in preparation for the participation of new members, for exports to new markets, for the allowance to be made to members for excessive exports, etc., and allot the rest of the quantity among the members according to the number of subscriptions of each member to the capital stock of the association or his past business volume. The retained portion is either distributed equally among the members or sold by competitive bids. This system is followed in the case of cotton textile exports to India.

3. *The control of export amount.*—This control is resorted to as a means of reducing trade barriers and moderating exchange difficulties presented by the exchange control enforced by the buyer country or the exchange clearing agreement maintained with that country. This does not apply to India.

4. *The control of export prices.*—A concrete method of controlling the prices of exports is the establishment of the lowest price limit permissible. This method of control is adopted by the Federation of Japan Porcelainware Exporting Associations.

5. *The control of terms of export transactions.*—The control of the terms of transactions comprises the restriction or prohibition of such practices as excessively lenient terms of payment, the payment of advertising and other expenses, a reduction in the commission of consignment sales, sales at a premium, or subject to a rebate, all of which practically result in price cutting. The Japan Bicycle Exporting Association follows this method of control.

6. *The control of the time of exportation.*—This control is usually put into force for the purpose of making the quantity or price control more effective. It ensures more even distribution of exports throughout the year so as to prevent abnormal fluctuations of prices.

7. *The control relative to market.*—The distribution of the entire exports to various markets and the allocation of quantities to members means at once an allocation and designation of specific markets to each member. In order to ensure an effective price and quantity control it is necessary to prohibit a member from exporting to any market other than those allocated to him. This also enables the Association to fix prices for the same goods at different levels for different markets according to the conditions prevailing in each. This method is followed in case of exports of glass bangles to India.

8. *The restriction of the port of shipment.*—This is a convenient method of effecting control.

Membership of the Kumiais is voluntary in theory but as Customs Officers in those cases in which inspection is prescribed do not permit shipment unless the goods bear the inspector's stamp, it is in effect necessry for exporters to become members of the Kumiai. Moreover, in those cases in which outsiders cannot be rigidly controlled and are believed to endanger the accepted policy of the Kumiai, Article 9 of the Association law provides that "the Ministry, when it deems it specially necessary in order to prevent or correct business abuses, can order a member or a person who is in the area of the association and entitled to membership to subject himself to the control and regulation of that association." The above describes fully the activities of the Kumiais.

The following table illustrates the development of Kumiais or Industrial guilds :—

| —— | No. of Industrial Guilds. | No. of Federation. | Members | Annual Capital paid up. | Annual output of members. |
|---|---|---|---|---|---|
| | | | | (Y. 1,000) | (Y. 1,000,000) |
| 1933 December | 344 | 23 | 23,831 | 5,040 | .. |
| 1935 " | 662 | 36 | 53,793 | 8,536 | 1,768 |
| 1936 " | 850 | 46 | 68,539 | 9,321 | 2,527 |
| 1937 March | 922 | 50 | 77,088 | 9,593 | 2,614 |
| 1937 December | 1,172 | 59 | 88,354 | 10,789 | 3,020 |
| 1938 January | 1,239 | 62 | .. | .. | 3,280 |

The other class of trade organisations consists of Chamber of Commerce and other cognate bodies which act generally as clearing houses of commercial information and frequently tender advice on trade questions. A brief outline of some of the more important organisations is given below:—

I. *The Chambers of Commerce and Industry.*

The history of Japanese Chambers of Commerce and Industry dates back to 1878 when the Tokyo Shoko Kaigisho was first established, which changed afterwards to Tokyo Shoko Kai (Tokyo Assembly of Commerce and Industry). In 1890, an Ordinance was promulgated recognizing the Chambers of Commerce as official organisations of merchants and industrialists. In 1895, a "Chambers of Commerce Act" was enacted placing the organisation on a legal basis. Through a minor amendment introduced to this Act, the name of the organisation was changed to "Chamber of Commerce and Industry".

The characteristics of Japanese chambers of commerce and industry are that the members are elected from among merchants and manufacturers of a city who pay taxes at certain specified rates. The chamber so organized represents the interests of the local commercial community. Its function is to propose commercial and industrial policies to the Government. The latter in turn consult these bodies when investigating the various economic problems of the country. The Chambers undertake functions *inter alia* relating to compilation of various trade statistics, business researches, publicity, etc. Nearly every important town in Japan has a chamber of commerce and industry. Their total number at present is 108.

In order to strengthen and co-ordinate the activities of the local chambers of commerce and industry a federation under the name of Japan Chamber of Commerce and Industry was established in 1928. This organisation includes all chambers of commerce and industry whether in Japan proper, in the colonies or abroad. The membership of the Managing Committee is confined to the most important chambers of commerce and industry in Tokyo, Osaka and Nagoya, and another eight chambers which are elected from eight districts respectively, out of a present total of eighteen.

There are also a few foreign chambers of commerce and trade associations established by groups of foreigners doing business in Japan in order to look after their special interests. Of these, mention may be made of the Kobe and Osaka Foreign Chamber of Commerce, Yokohama and Tokyo Foreign Board of Trade and the Indian Chamber of Commerce, Japan.

II. *Nippon Kogyo Club.*

(The Industrial Club of Japan.)

In contrast to the chambers of commerce which represent the local interests of businessmen and include among their members both large and small industrialists, the Nippon Kogyo Club established in 1917, exclusively represents the interests of large industries which developed during and after the World War and thus constitutes a private organisation of such industrialists. The object of this Club is to establish coordination and intimate intercourse among

its members, and to investigate economic policies from the stand-point of large industries. The club also aims in a general way at effecting harmonious relationship between Capital and Labour. It is also the representative organisation for the Japanese industry in intercourse with the commercial communities in foreign countries. As the prosperity enjoyed during the World War was followed by depression, the function of the Nippon Kogyo Club had to be changed to meet the requirements of the changed circumstances which brought into being two new organisations, mainly formed by the members of the Club. These were: the Nippon Keizai Renmeikwai and the Zenkoku Sangyo Dantai Rengokai.

### III. *Nippon Keizai Rengokwai.*

(The Japan Economic Federation.)

This organisation was brought into being as a result of the visit of a Japanese Economic Mission to Europe and America in 1922 on the invitation of the International Chamber of Commerce On the return of the Mission, the Nippon Keizai Renmeikwai was formed as a branch of the International Chamber. Members of this economic organisation consist of 30 organisations, 216 juridical bodies and 427 individual businessmen. The managing organs are the General Meetings, meetings of councillors and of directors, resident directors and the resident committee. The resident committee which assists the Chairman directly is elected by him from resident directors, ordinary directors and councillors. The functions of the Nippon Keizai Rengokwai are: facilitating exchange of views amongst businessmen, formation of a central economic policy embracing general business interests by investigation conducted by its own board and by outside experts and representing Japanese commercial interests in foreign economic organisations.

### IV. *Zenkoku Sengyo Dantai Rengokai.*

(The National Federation of Industrialists.)

This second offspring of the Nippon Kogyo Club was established in 1931. The main object of this association is to protect the interests of the employers against attacks from the labour movement. It is composed of five local associations of Kwanto, Kwansai, Middle, Western and Northern districts. These local bodies maintain relationship with Chambers of Commerce and Industry, and manufacturers' associations.

### V. *The Nippon Keizai Dantai Renmei.*

(The Japanese League of Economic Organisation.)

With the rapid growth of Government control of national economy since the outbreak of the China Incident, it was found necessary to create an economic organisation which would centralize and pool the interests of the various commercial and industrial bodies in the country. The application of the many emergency laws introduced in recent months also required the services of an association to safeguard general business interests. The organisation

was established in September last with the support of other leading associations. The supporters of this new organisation and the number of representatives sent by individual economic bodies are as follows :—

| | |
|---|---|
| Nippon Chamber of Commerce and Industry | 9 |
| Nippon Keizai Renmeikwai | 8 |
| The National Federation of Industrialists | 6 |
| Tokyo and Osaka Clearing Houses | 4 |
| Trust Company Association | 2 |
| Life Insurance Company Association | 2 |
| National Association of Local Bankers | 2 |

Of the nine business committees of the organisation, six have been assigned the work of specializing in control system in respect of such commodities as textile raw materials, fuel, metals including iron and steel, rubber, hides and skins, lumber and paper. Of the remaining, one has been given the work of investigating the price problem, another supervision of the supply of labour and technicians and the last supervision of industrial finance.

## VI. *Dai Nippon Boseki Rengo Kai.*

### (The Japan Cotton Spinners' Association.)

The Association was established in 1882 with the object of "promoting friendship amongst and protecting and developing the mutual interests of the members of the Association". The ordinary membership is confined to cotton spinners and textile and thread manufacturers. Hand-loom weavers, raw cotton and cotton yarn dealers may be admitted into this Association as sub-members. The managing committee consist of 12 members elected in a General Meeting who hold office for a period of three years. Every member of the Association is under obligation to make a report every month to the Association describing the member's business condition. Government control in respect of the adjustment of demand and supply of cotton yarn is exercised solely through the Association, while control matters relating to purchase, sale and delivery of raw cotton and cotton yarn are transacted by the Association in collaboration and consulation with the Japan Cotton Merchants Association and the Federation of Japan Yarn Merchants Associations.

## VII. *Nichi-in Mempu Yushutsu Kumiai.*

### (The Japan-India Cotton Textile Exporters' Association.)

The Association was established in March 1934 and is entrusted with the control of the quantity of cotton tissues exported to India in accordance with the provisions of the Indo-Japanese Trade Agreement. It aims at the promotion of export trade in cotton yarn and textiles to India. Its membership is open to those engaged in direct export to India of these goods. The face value of each share of the Association which the members are required to hold is Yen 500. It is managed by a committee consisting of 15 Directors and 4 Inspectors, who are elected at the annual general meeting of members of

the Association. The Executive power vests in the Managing Director. The Association is responsible for allocation of export quotas among its members. For this purpose the financial year is divided into two periods—the first running from the 1st April to the 30th September and the second from the 1st October to the 31st March. The total quantity of different categories of goods to be exported is determined by the Board of Directors at the commencement of each period, subject to the approval of the Minister of Commerce and Industry. Of the total quantity so determined, 60 per cent which is designated as "Ordinary quota quantity" is distributed to members on the basis of their exports during the preceding three years. At first a simple average of the total exports was accepted as a working basis, but last year apparently to satisfy the new-comers this method was altered. Instead of taking the full quantity shipped in the corresponding period in each of the preceding three years and then working out the average, it was decided to count only 20 per cent of the shipments in the first year, 30 per cent of those in the second and 50 per cent of those in the last. The share has been calculated on the basis of the total shipment worked out in this manner. The remaining 40 per cent of the total permissible exports which is called "Special quota quantity" is allotted by means of tender, the allotment being offered to the highest bidder. The tenders are invited twice for each period—in February and May for the first period and in August and November for the second period. The minimum quantity for which a tender may be submitted is 100 yards of piecegoods or 100 lbs. of fents. Of the quantity held for disposal by tender 75 per cent is allocated by means of general tenders which may be submitted by non-members of the Association. The balance of 25 per cent is allocated by means of special tenders which are reserved for members. In the case of "dyed in pieces" and "dyed in yarn" textiles the proportion between general and special tenders is 62·5 and 37·5 respectively. When a tender is accepted by the Association the person offering it is required to make a cash deposit of the premium which he offered to pay on acceptance of his bid.

## VIII. *Pig Iron Import Syndicates.*

Importation of pig iron is controlled by two groups or syndicates. One organisation is known as Sentetsu Kyodo Hanbai Kabushiki Kaisha (Pig Iron Joint Selling Co., Ltd.) who control all importations made by Nissho Kabushiki Kaisha, Osaka, Nichi-in Tsusho Kabushiki Kaisha, Osaka (Japan-India Trading Co., Ltd.), The Showa Steel Manufacturing Co., Ltd. and Penghsi-hu Iron Foundry (The last two are located in Manchukuo). The other syndicate is represented by Nippon Seitetsu Kabushiki Kaisha (a semi-Government company with a capital of Y. 400 million having large financial concerns like Mitsui and Mitsubishi among the shareholders) who control importations from the U. S. A. and Europe, as well as importation made from India by Kishimoto Shoten, Osaka. The last-named firm are also the largest shareholder of Nichi-in Tsusho Kabushiki Kaisha. According to present arrangement imports from the U. S. A. and Europe are controlled by Mitsui and Mitsubishi, while those from India are handled by Kishimoto Shoten, Nichi-in Tsusho K. K. and Nissho K. K.

Selling prices are fixed at one standard rate by all the concerns. Wholesale price is quoted ex-lighter, while retail price is made up by addition roughly of Y. 4·00 per ton to include such charges as are incurred on account of lading, storage, conveyance, discharging, weighing, commission, etc.

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## CHAPTER III.

### Legislative measures and ordinances affecting trade.

Of the legislative measures introduced during the period under review, the Department of Commerce and Industry Ordinance No. 5 issued on June 1, 1937, revising the regulation governing the operation of the Export Compensation Law of 1930 as amended by Law No. 22 which was promulgated on March 31, 1937, deserves to be mentioned first. It seems desirable to describe this law somewhat at length as it provides for the grant of facilities to exporters to finance their export business, and has played a prominent part in the development of the country's export trade. In their quest for new markets Japanese merchants have had frequently to deal with foreign customers whose financial standing could not be ascertained through their own Exchange banks, nor could transactions be effected with the guarantee of a letter of credit. In these circumstances, exchange banks were naturally shy of buying export bills drawn on those markets for fear of incurring losses through insolvency or recalcitrance of the importers. To overcome this difficulty, the Japanese Government through the introduction of the Export Compensation Law in August 1930 undertook to compensate the exchange banks for any losses they might incur on account of non-payment of the export bills bought by them. The arrangement is that the Government every year concludes agreements with these banks undertaking to compensate them up to certain statutory limits approved by the Legislature in connection with purchases of export bills drawn on regions designated by the Ministry of Commerce and Industry. The amounts approved by the Diet to be applied for this purpose have been raised each year—the amount for 1937 was 21,469,000 yen as compared with 938,000 yen for 1930. The total amount of bills bought by exchange banks under this Compensation Law increased steadily until the aggregate amount for the years under its operation up to the end of 1936 reached 117,954,000 yen. The annual amounts of bills bought under the Law have been as follows :—

| | (*In thousands of yen.*) |
|---|---|
| 1930 | 1,902 |
| 1931 | 4,956 |
| 1932 | 9,425 |
| 1933 | 21,020 |
| 1934 | 27,625 |
| 1935 | 22,721 |
| 1936 | 30,305 |

Further use of the compensatory facility is discontinued in respect of customers whose credit is established in the course of trading. It is then applied to new customers in other territories. Hence, in reality the system may be credited with having brought in new business of far greater value than is suggested by the above figures. The Export Compensation Law was enacted primarily with the object of exploiting new markets, the sphere of operations first designated by the Government included Central and South America, Asia Minor and Russia. Subsequently, other regions comprising all new markets were added to the list. By the Proclamation No. 57 of June 1, 1937 the list was further extended to cover the whole world except the United States of America, Great Britain, Germany, France and Italy.

2. The chief points of the Export Compensation Law as amended recently may be briefly summarised as below :—

(a) *Raising the Maximum Limit of Compensation.*—As a rule Government compensation does not cover the whole amount of the loss that may be sustained by a bank. A maximum limit is set beyond which compensation may not be extended, for, otherwise, the danger of encouraging speculative exports arises, which might eventually defeat the purpose of the legislation. The compensation contracts are classified into two "A" class and "B" class. Originally, Class "A" contracts allowed 70 per cent of the loss and class "B" 60 per cent. The maximum limits have now been raised by 10 per cent bringing the actual limit in the two classes of contracts to 80 per cent [illegible] In class "A" contract, the bank receiving the [illegible] nless special sanction is obtained from the Mini[illegible] istry, to exercise forthwith the right of recourse and other rights pertaining to the bills bought, and after deducting from the sum so obtained the amount of interest accruing after the due date of the bill and the expenses defrayed in the exercise of the rights in respect of the bill, the bank has to pay to the Government 80 per cent of the remaining sum. In class "B" contract, the bank is not required to exercise the right of recourse on the bill against the exporter. Again, in the "A" contracts compensation is awarded primarily for the purpose of financing exports and the Government therefore naturally expect the refund of the amounts given in compensation. Compensation in the class "B" category assumes the nature of guarantee of export credits, and the repayment of the compensatory money is not necessarily binding. For this reason, compensation charges are lower in cases of class "A" contracts as compared with those of class "B" which take on the character of insurance premia.

(b) *Compensation for losses arising from Exchange Restrictions in foreign countries.*—The adoption of exchange restrictions in foreign countries to which Japan is an exporter impedes the free flow of credit. The export compensation procedure has been applied in such cases to facilitate trade. The method usually followed in awarding compensation has been, in the case of documentary bills with the D/P clause, that the documents may not be delivered till after the payment. It happens very often, however, that the bills are dishonoured on account of exchange restrictions even though the importers are quite solvent and willing to pay. In such cases it has been customary to deliver the documents on condition that the importers put up an amount

equivalent to the amount of the bill as a guarantee of payment as soon as the license of their Government is obtained. In view of this situation, the procedure of awarding compensation has been so modified that, where the payment of the bill has been rendered temporarily impracticable due to exchange restrictions, the documents may be delivered, in the case of D/P bills, even prior to the payment, with the approval of the Minister of Commerce and Industry. Further, the banks have hitherto had to exercise without delay their right of recourse in respect of the whole amount in the case of class "A" compensation contracts, and in respect of three-tenths of the amount in the case of class "B" contracts, as also other rights pertaining to the bill. In the case of default due to exchange restrictions, however, the exercise of these rights may, with the approval of the Minister of Commerce and Industry be waived temporarily. In fact, the compensation awarded in this case may be regarded as a temporary advance, and when the bank refunds it subsequently an additional charge of 55 sen per diem is made on the sum of compensation.

(*d*) *Compensation in respect of Promissory Notes and Bills other than Documentary Bills.*—Payments for goods shipped to Soviet Russia are effected, not through the customary method of documentary bills, but by means of promissory notes issued by the Soviet Trade Commissioner in Japan. Hitherto, in the case of exports to Soviet Russia, such promissory notes were bought by the bank which received compensation for any losses incurred from the transaction. Additionally, when building materials and other heavy industry manufactures are exported to countries other than Russia on long-term credit, payment is usually made by means of promissory notes or bills other than documentary bills. In view of the fact that Japanese exports consist mostly of products of light industry manufactures, any assistance accorded to exports of manufactures of heavy industries would serve the purpose of encouraging the growth of heavy industries within the country. With a view to facilitating exports of manufactures of this description on long-term credit, a revision in the Export Compensation Law has been effected whereby the compensation may be granted in respect of promissory notes and bills other than documentary ones. The maturity of the bills so drawn is fixed at a five year period and the destinations of the shipments other than Soviet Russia have been designated by the Government as follows:—China, Siam, the Straits Settlements, and the Dutch East Indies, Afghanistan and Iran, Central and South American countries. As to the articles of export, the Department of Commerce and Industry have specified the following: railway-coaches and their parts and accessories, vessels, aeroplanes and their parts and accessories, machinery, machine-tools, and their parts and accessories, constructional materials for use in building railways, bridges, roads, water-works, houses, broadcasting stations, and transportation and communication works. It is quite possible that Japan needs these heavy industry manufactures for her own use, but it is equally true that the encouragement thus given to their exportation helps the development of her other industries and the growth of her foreign trade in general. However, to ensure a proper adjustment between internal requirements and exports, the Law prescribes that exporters are to apply for the approval of the Minister of Commerce and Industry as to the items of exports and the drawer and drawee of the bills.

The more important of the remaining measures are described as follows:

*I.—Foreign Trade Association Law.*

(Law No. 74, promulgated on August 14, 1937.)

A large number of Trade Guilds constituted under the Export Association Law were already in existence in the country, but the Government felt that it was equally necessary to regulate the volume of importation in general through the formation of import trade associations. The law brings into being Foreign Trade Associations consisting both of Import Trade Associations and Export Trade Associations. The aims and objects of a Foreign Trade Association are to promote foreign trade, to regulate members' business and to create organs necessary to prevent or correct business evils, under the supervision and direction of the Government The law also gives legal sanction for the creation of a Federation of Foreign Trade Associations and for the establishment of another institution known as the Central Board of Foreign Trade Associations, the object of the latter being to encourage the development of Associations and to maintain relations among the Associations and the Federations.

*II.—Law Concerning the Adjustment of Foreign Trade and the Industries related thereto*

(Law No. 73 of 1937 )

This legislation furnishes the Government with statutory powers to restrict or prohibit, in consultation with the Trade Committee (a Standing Committee created to advise the introduction of control system in particular cases), when necessary, the importation or exportation of certain commodities for a stipulated duration fixed by Government Ordinance in the following cases:—

(*a*) when it is deemed necessary to regulate trade according to international agreements,

(*b*) when it is necessary to maintain the balance of international payments in general or to establish equilibrium between imports and exports in respect of Japan's foreign trade with a particular country.

(*c*) when it is deemed necessary to correct or obviate any extraordinary rise or fall of commodity prices, and

(*d*) when it is necessary to provide for sufficient supply of goods of primary importance in order to promote national economy.

(The remaining provisions of this law are merely of a formal nature, relating to procedure, etc.)

*III.—Imperial Ordinance Concerning the Exemption of Iron Importations from Import Duty.*

(Imperial Ordinance No. 130, promulgated on April 15, 1937.)

This Imperial Ordinance was promulgated under para. 1 of Article* VIII of the Imperial Constitution as an emergency measure to exempt iron imports (exclusive of special steel) from import duty until March 31, 1938.

*(NOTE —An Imperial Ordinance enacted under Article VIII of the Imperial Constitution has full force and effect as law, and is commonly called an Emergency Imperial Ordinance. Accordingly, such an Ordinance may amend, rescind or supplement existing laws.)

### *IV.—Imperial Ordinance Concerning the Investigation of Date Relating to the Index of Cost of Living.*

(Imperial Ordinance No. 183, promulgated on May 8, 1937.)

This Imperial Ordinance was promulgated for the purpose of conducting field investigations in collecting necessary statistical data for compiling the cost of living index of workers, which data were considered indispensable as the basic information necessary for formulating national policies to cope efficiently with changes in the economic situation. This Ordinance provides for the collection of necessary data on the 16th of each month, beginning with July 1937. It also provides for the method of collection to be employed.

### *V.—Ordinance Governing Profiteering Practices and Tendencies.*

(Ordinance No. 10 of the Ministry of Commerce and Industry, promulgated and put into force on August 3, 1937, as revised by Ordinance No. 26 of October 26, 1937.)

This Ordinance was promulgated with a view to check undue profiteering in business that may be indulged in by unscrupulous people, taking advantage of the circumstances arising out of the Sino-Japanese hostilities. Activities coming under the purview of this Ordinance are the cornerning and withholding from the market of articles of trade for the purpose of gaining excessive profits, and the selling of goods at exorbitant prices. Although the question as to what constitutes profiteering is to be determined in the light of the varying circumstances governing different commodities, the average earnings in previous years are taken as an important basis for determining the point in question. The articles coming under this Ordinance at present are the following :—

Metals and materials thereof, metal manufactures, graphite, borax and mica, asbestos and manufactures thereof, machine tools and parts thereof, automobiles and other vehicles and parts thereof, electric wires and poles, electrodes, materials for polishing and grinding tools, fire-proof bricks, glass, petrol and its containers, coal, coke, charcoal and briquette, raw cotton, jute, hemp, flax and staple-fibre, raw wool and other animal hair, thread and yarn (except raw silk), tissues (including felt and knitted goods) and manufactures thereof, apparels, papers and manufactures thereof, dyes, pigments and paints, chemicals for industrial purposes, medicines and sanitary supplies, oils, fats and manufactures thereof, perfumery and toilet preparations (excluding perfumed spirits and essential oils) such as tooth-powder and toilet soap, fertilizers and folders, crude rubber and rubber manufactures, pulp, hides and leathers and their manufactures, barley and wheat-flour, sugar, animal, poultry and game meat, eggs, butter, tea, coffee, and other principal foodstuffs and beverages, cement, roofing tiles, sand and gravel, timber.

When deemed necessary, the Government may add any other articles to the above list.

Whenever a person is found engaged in the act of profiteering he is warned not to continue in the act for a stated period, and, if necessary, certain conditions are prescribed to govern transactions in the commodities which form the subject of profiteering. While such warning is to be given by the Ministry of Commerce and Industry or by the Prefectural Governors, the Ministry for Agriculture and Forestry is likewise authorised to give warnings where dealings in charcoal, fertilizers, fodder, barley, wheat, and timbers forming building materials by parties other than individuals or organisations engaged in commerce and industry—*e.g.*, co-operative societies, etc.—are concerned. When such warnings have been administered, the competent authorities may require submission of statements on matters occasioning such warnings. Furthermore, vendors are required plainly to indicate the prices of their wares by affixing labels showing the prices or by posting their price list in a conspicuous place in their stores or other places of business according to the nature of the goods concerned and the conditions of the trade If the warnings are ignored, the offender is liable to punishment Persons are also liable to punishment for making false statements or for making false indications in price-lists, etc. There are penalty clauses for a few other contraventions of the Ordinance.

### *VI.—Temporary Capital Adjustment Law.*

(Law No. 86, 1937, promulgated on September 10, 1937.)

The object of this law is to regulate the employment of capital within the Japanese Empire so as to adjust supply and demand of materials and capital with special reference to the China Affair. With the progress of operations in China, it was natural to expect extraordinary stimulation of industrial enterprises brought about by increased disbursements of Government Treasury funds, creating in turn a strong demand for materials which could only be met, under the circumstances, by importation from abroad. If let uncontrolled, this situation might, in the end bring about a shortage in the materials required for military purposes and for other industries directly connected with the present political needs. It was therefore considered necessary to check the use of any materials in enterprises which might be regarded as unimportant, so that their unhindered supply to the fields where they are more urgently required may remain assured. So also in the matter of credits. While it is obvious that the ample supply of credits must be maintained for the manufacture of articles most needed at present, it is equally important that in view of the large amounts of national bonds awaiting issuance, fresh investments should be properly controlled so that all available credits may be turned to lines closely related to the present situation. In these circumstances, it has been prescribed that, where any financial institutions, including banks, and trust and insurance companies, desire to make a loan to be employed in fixed equipment, in excess of the stated amount, or where they desire to underwrite corporate debentures or other securities, they should apply for the sanction of the competent authorities. Approval of the authorities is likewise required for increasing the capital of certain companies prescribed in the orders issued under this Law. Where, however, financial institutions and security underwriters, in making loans or taking

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Metals and materials thereof, metal manufactures, graphite, borax and mica, asbestos and manufactures thereof, machine tools and parts thereof, automobiles and other vehicles and parts thereof, electric wires and poles, electrodes, materials for polishing and grinding tools, fire-proof bricks, glass, petrol and its containers, coal, coke, charcoal and briquette, raw cotton, jute, hemp, flax and staple-fibre, raw wool and other animal hair, thread and yarn (except raw silk), tissues (including felt and knitted goods) and manufactures thereof, apparels, papers and manufactures thereof, dyes, pigments and paints, chemicals for industrial purposes, medicines and sanitary supplies, oils, fats and manufactures thereof, perfumery and toilet preparations (excluding perfumed spirits and essential oils) such as tooth-powder and toilet soap, fertilizers and folders, crude rubber and rubber manufactures, pulp, hides and leathers and their manufactures, barley and wheat-flour, sugar, animal, poultry and game meat, eggs, butter, tea, coffee, and other principal foodstuffs and beverages, cement, roofing tiles, sand and gravel, timber.

When deemed necessary, the Government may add any other articles to the above list.

Whenever a person is found engaged in the act of profiteering he is warned not to continue in the act for a stated period, and, if necessary, certain conditions are prescribed to govern transactions in the commodities which form the subject of profiteering. While such warning is to be given by the Ministry of Commerce and Industry or by the Prefectural Governors, the Ministry for Agriculture and Forestry is likewise authorised to give warnings where dealings in charcoal, fertilizers, fodder, barley, wheat, and timbers forming building materials by parties other than individuals or organisations engaged in commerce and industry—*e.g*, co-operative societies, etc.—are concerned. When such warnings have been administered, the competent authorities may require submission of statements on matters occasioning such warnings. Furthermore, vendors are required plainly to indicate the prices of their wares by affixing labels showing the prices or by posting their price list in a conspicuous place in their stores or other places of business according to the nature of the goods concerned and the conditions of the trade. If the warnings are ignored, the offender is liable to punishment Persons are also liable to punishment for making false statements or for making false indications in price-lists, etc. There are penalty clauses for a few other contraventions of the Ordinance.

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up securities, endeavour to adjust the employment of their funds of their own accord in a manner deemed proper under the purposes of this law, they are not required to apply for official approval for their acts. As a matter of fact, the Government encourages such voluntary adjustment of capital investments for the furtherance of the object of this law.

It thus devolves upon the financial institutions to make concerted efforts to meet the growing demand for industrial funds. For this purpose, the Industrial Bank of Japan is authorized to issue its debentures up to 500 million yen in excess of the statutory limit, which is ten times its capital amount, the Government undertaking to guarantee the payment of principal and interest.

The law provides for the creation of a Temporary Capital Adjustment Committee, consisting of official and non-official members, whose duty is to conduct investigation on the basic matters relating to the adjustment of investments with a view to formulating the fundamental principles of the operation of the present law. It also provides for the appointment of two other Committees, one called a Temporary Capital Inquiry Committee to deal with more important matters relating to the adjustment of investments with a view to formulating the fundamental principles of the operation of the present law, and the other called a Temporary Capital Inquiry Commtitee to deal with more important matters relating to approval for loans, subscription or underwriting of securities by the financial institutions, establishment of companies prescribed by the orders and increase of capital or issuance of debentures. As the present situation may have brought, or may be bringing, sudden increases in income to members of certain sections and classes of people, the law recognises the need for encouraging the practice of thrift and provides for the issuance, through the Hypothec Bank of Japan, small savings bonds with premia up to the extent of 200 million yen, for the purpose of absorbing such petty savings. In order that the Government may be in a position to undertake effective control of capital investments and other financial matters generally, the law empowers the Government to demand submission from the parties concerned of periodical reports furnishing necessary data on the subject. The Government are also empowered to institute examination of such parties on matters relating to requirements of funds, securities, international payments, and capital plans for business.

### *VII.—Law Concerning Temporary Measures on Exports and Imports.*

(Law No. 92, 1937, promulgated and enforced on September 10, 1937 and the Ordinance dated October 11, 1937 of the Ministry of Commerce and Industry prescribing Import and Export Regulations in accordance with the above Law.)

The campaigns in China entailing heavy importation of war materials and growing unfavourable trade balance led the Government to impose restriction not only on importation of those goods which could be regarded as unnecessary or less urgently required but also to restrict exports to a certain extent. The law empowers the Government when deemed necessary, to prohibit or restrict exports or imports of such goods.

The Law also empowers the Government to take suitable remedial measures that may be considered advisable to check any undue rise in prices of such commodities or to provide against the uncertainty in their supplies. The Government may, through Ordinances issued under this law, take appropriate steps regulating the production of articles using materials on which export-import restrictions referred to above may be imposed and controlling distribution, transfer, employment or consumption both of such materials or their manufactures.

*VIII.—Temporary Shipping Control Law.*

(Law No. 25, 1937, promulgated on September 10, 1937.)

This law provides that Japanese ships must not, subject to Government authorization, be transferred, chartered, mortgaged, or delivered to aliens, who are not allowed to own Japanese ships. The Government are empowered to prescribe, in consultation with the Shipping Control Committee, navigation on certain routes, in certain waters or with certain passengers or goods and restrict or prohibit shipping between foreign ports. Orders may also be issued by the Government concerning freight charter rates and prices for the construction and sale of ships. Accommodation and equipment of ships and protection and provisions for seamen may also be regulated by the Government. In order to meet shortage of bottoms, the law relaxes restriction hitherto exercised in respect of importation of foreign ships. Formerly ships not more than 5 years old and with speed not less than 13½ knots could alone be imported, but now matters of age and speed are considered generally with reference to vessels built after the Great War.

*IX.—The Armament Industry Mobilisation Law.*

(Law No. 38 of 1918, promulgated on and enforced from September 10, 1937, as Law No. 88 of 1937.)

The law was passed in 1918 for application only in the case of a War and has recently been made effective during the China Incident. The law provides that the Government may, where necessary for the production or repair of war materials, manage, use or expropriate the whole or a part of factories, offices and annexes thereto (1) to manufacture and repair war materials, (2) produce raw materials, fuel and electric power to be used in these factories and offices, and (3) to change production for the purpose of armament.

Persons, whether on the military list or not, may be requisitioned to work on transport services or in factories and offices. The transfer, use, consumption, possession, removal, import or export of war materials, and raw materials or fuel to be used at factories or offices which manufacture or repair war materials may be regulated by the Government, who may demand reports on the production, accommodation, equipment, etc., of these factories.

### *X.—Amendment to the Foreign Exchange Law of 1933.*

(This is dealt with separately in the Chapter on Foreign Exchange and Exchange Control.)

### *XI.—Laws Relating to National Gold Policy.*

The enactment of these laws was necessitated by the exigencies of the economic situation. The balance of trade had been going against Japan during recent years and in the first quarter of 1937 had exceeded 300 million yens. The stability of the yen was in consequence seriously threatened and to safeguard the position the Government were forced to resume shipments of gold. The outbreak of the China emergency further aggravated the situation and it became necessary on the one hand to liquidate the already existing commitments arising from excessive imports and on the other to provide for adequate supplies of the yellow metal to meet future requirements. The Bank of Japan had been purchasing gold since 1932 and had considerable holdings which had been valued below prevailing gold parity. The expedient of revaluation of this gold was adopted in order to release funds to meet foreign obligations, and to provide a reserve for safeguarding the exchange position of the Yen. At the same time steps were taken to improve and conserve supplies of gold in the country. A brief outline of the three laws enacted with these objects is given below :—

(*a*) *Gold Reserve Revaluation Law* (*Law No. 60 of 1937, promulgated on August 11, 1937*).—This law requires the Bank of Japan to revalue its holding of gold coins and bullion constituting the reserve against the note circulation at the new rate of Y.1·00 per 290 milligramme, of pure gold. The new rate is also applied to the gold holdings of the Bank of Chosen and the Bank of Taiwan. Profits gained by these three banks through the revaluation were transferred to Government account. The Bank of Japan's holdings when the law was put into force being about 450 million yen (old parity), it was estimated that its revaluation should yield a profit of 717·5 million yen after deduction of 248 million yen which the Government owed to the Bank of Japan. The Bank of Chosen and the Bank of Taiwan were to contribute 4·5 million and 25·2 million yen respectively, making a total of 747 million yen for the three banks.

(*b*) *Gold Fund Special Account Law* (*Law No. 61 of 1937, promulgated on August 1, 1937*).—This law provides for the creation of a gold fund as a self-balancing account, financed with the profits accruing from the revaluation of gold holdings of the Banks of Japan, Chosen and Taiwan under the Gold Reserve Revaluation Law.

The object of this law is to provide funds for gold shipment by the Government to maintain the balance of international payments and to safeguard the international position of the Yen. This would exempt the Bank of Japan from shipping gold abroad on its own account in the future. It is further provided that the funds belonging to this Account may be employed, up to the extent of 50 million yen, for the development of gold production or for the acquisition of gold in order to replenish the foreign exchange fund. In case there is any balance left of the stated sum, it may be invested in Government bonds.

(*c*) *Gold Production Law* (*Law No. 59 of 1937, promulgated on August 11, 1937 and enforced from August 25, 1937*).—The Gold Production Law empowers the Government to make purchases of gold which had previously been entrusted to the Bank of Japan. Official control is extended to gold mining and gold refining and the activities of persons engaged in these enterprises are placed under the strict supervision of the Government.

Increase in the production of gold is to be encouraged directly or indirectly. The Government are authorized to order the improvement and the extension of mines and works equipment. Provision is also made for the exemption from import duty for five years from the date of the enforcement of this Law of machinery and other materials required by enterprises engaged in gold mining and refining as well as for the grant of subsidies to them. The Government are further authorised to control prices of gold and to restrict its use for the purpose of conserving the metal. The law places all matters concerning gold from mining to final consumption under the strict control of the Government and provides for the institution of a Gold Committee to consider instructions affecting the control.

## *XII.—The National General Mobilization Law.*

This is one of the most important laws, omnibus in character, ever passed by the Japanese Diet. The bill leading to the passage of this law in the 73rd Sessions of the Diet concluded in March, 1938, provoked heated discussions. The purpose of this law is to enable the State to develop its full capacity for national defence and national efficiency, both from the material and spiritual points of view. According to Article I, general mobilization involves the control and utilization of all human and commodity resources in order to mobilize most efficiently the entire force of the nation for the purpose of attaining the object of national defence in times of war. The provisions of the law may be divided into two spheres; *viz.*, (1) provisions for war emergencies and (2) provisions for peace-time. Important provisions of the law are briefly stated below :—

*I. War-time Provisions.*—These provide for Government control of labour, raw materials, equipments, enterprises, funds, prices and publications.

(*a*) *Control of Labour.*—Imperial orders may be issued covering all the subjects of the Empire for mobilizing the labour forces of the country in order to meet the deficiency in labour and the heavy demand of the armament industries as well as in the interest of production, repair, distribution, export and import, the storage of war materials, transportation, financing, sanitation, relief, education, research work, propaganda, etc. The ordinances may also cover the use of labour, its employment, dismissal, wages and other terms, prevention and settlement of labour disputes, and the restriction or prohibition of the closing of workshops, suspension of work and other actions in labour disputes.

(*b*) *Control of Raw Materials.*—The Government may issue orders in connection with the production, repair, distribution transfer, disposal, consumption, possession, etc., of general mobilization goods and use or expropriate any of these commodities in the interest of the State.

### X.—*Amendment to the Foreign Exchange Law of 1933.*

(This is dealt with separately in the Chapter on Foreign Exchange and Exchange Control.)

### XI.—*Laws Relating to National Gold Policy.*

The enactment of these laws was necessitated by the exigencies of the economic situation. The balance of trade had been going against Japan during recent years and in the first quarter of 1937 had exceeded 300 million yens. The stability of the yen was in consequence seriously threatened and to safeguard the position the Government were forced to resume shipments of gold. The outbreak of the China emergency further aggravated the situation and it became necessary on the one hand to liquidate the already existing commitments arising from excessive imports and on the other to provide for adequate supplies of the yellow metal to meet future requirements. The Bank of Japan had been purchasing gold since 1932 and had considerable holdings which had been valued below prevailing gold parity. The expedient of revaluation of this gold was adopted in order to release funds to meet foreign obligations, and to provide a reserve for safeguarding the exchange position of the Yen. At the same time steps were taken to improve and conserve supplies of gold in the country. A brief outline of the three laws enacted with these objects is given below :—

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Increase in the production of gold is to be encouraged directly or indirectly. The Government are authorized to order the improvement and the extension of mines and works equipment. Provision is also made for the exemption from import duty for five years from the date of the enforcement of this Law of machinery and other materials required by enterprises engaged in gold mining and refining as well a[illegible] The G[illegible]ment are further authorised [illegible] the purpose of conserving t[illegible]; gold from mining to final consumption under the strict control of the Government and provides for the institution of a Gold Committee to consider instructions affecting the control.

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*I. War-time Provisions.*—These provide for Government control of labour, raw materials, equipments, enterprises, funds, prices and publications.

(a) *Control of Labour.*—Imperial orders may be issued covering all the subjects of the Empire for mobilizing the labour forces of the country in order to meet the deficiency in labour and the heavy demand of the armament industries as well as in the interest of production, repair, distribution, export and import, the storage of war materials, transportation, financing, sanitation, relief, education, research work, propaganda, etc. The ordinances may also cover the use of labour, its employment, dismissal, wages and other terms, prevention and settlement of labour disputes, and the restriction or prohibition of the closing of workshops, suspension of work and other actions in labour disputes.

(b) *Control of Raw Materials.*—The Government may issue orders in connection with the production, repair, distribution transfer, disposal, consumption, possession, etc., of general mobilization goods and use or expropriate any of these commodities in the interest of the State.

General mobilization applies to goods and services having military importance, clothing, foodstuffs, medical and sanitary supplies, transportation and communication facilities, building and lighting, fuel, electric power, etc., and also to materials, machinery and tools, etc., required for the production, repair, distribution and preservation of the above.

The Government may restrict or prohibit exports and imports, order exportation or importation, and impose, increase or decrease export and import tariffs.

(c) *Control of equipment.*—The Government may use, control or expropriate plants, working establishments, ships and other facilities, land, buildings and other working facilities necessary for general mobilization and use or expropriate mining rights and rights concerning the use of waters.

The Government may also restrict, prohibit or order the creation of new establishments and the expansion and improvement of equipments.

(d) *Business Control.*—The Government may subject to official permission the conclusion, modification and termination of business and industrial agreements, and may order the conclusion, modification and termination of such agreements, and issue orders to non-members as well as to members to obey these agreements. The Government may order owners of enterprises to establish associations for the purpose of controlling these enterprises.

(e) *Control of Funds.*—The Government may restrict or prohibit (i) opening of establishments, (ii) increase of capital, (iii) amalgamation of firms, (iv) change of objects of companies, and (v) floatation of debentures of companies or the calling in of unpaid capital. They may also provide for the disposal of profits, depreciation, etc., and issue orders concerning the use of funds to banks, trust companies, insurance companies and other financial organisations.

(f) *Price Control.*—In order to check an abnormal advance of prices, the Government may issue orders in connection with commodity prices, transportation charges, storage rates, insurance premia, lease charges and manufacturing costs.

(g) *Control of Publications.*—The Government may issue orders for the restriction or prohibition of matters printed in newspaper and other publications. The sale and distribution of publications violating the above orders may be prohibited or the publications may be confiscated.

*II. Peace-time Provisions.*—The law provides for the preparation for general mobilisation of the nation in peace-time, the principal methods being as follows:

(a) *National Conscription.*—The Government may order the examination and registration of the vocational ability of subjects of the Japanese Empire.

(b) *Training of Technicians.*—The Government may order the training of technicians necessary for national mobilization in schools, training institutions, plants, factories, etc.

(c) *Storage of materials.*—The Government may issue orders regarding the storage of certain quantities of material which are important from the point

of view of general mobilization. These orders may apply to importers, producers and distributors.

(d) *Programmes and practice.*—In order to assure the general mobilization in war-time, the Government may issue orders to owners of enterprises to draw up programmes and to conduct periodical trials based on such programmes.

(e) *Research and Experiments.*—The Government may control those engaged in producing or repairing general mobilization commodities or those in charge of experimental and research works.

(f) *Assistance for the promotion of Enterprises.*—In order to increase the productive capacity, the Government may guarantee fixed profits or grant subsidies to those producing or repairing general mobilization goods. In this case, the Government may cause such parties to produce or repair general mobilisation goods or provide the necessary facilities.

*III. Compensation Committee and Inquiry Commission.*—Losses caused by the enforcement of this law may be compensated by the Government in specific cases, compensation to be made on the approval of the National General Mobilization Committee to be established by the Government to investigate methods of enforcing the provisions of the law.

### *XIII.—The Mineral Production Law.*

The object of this law is to insure an adequate supply of mineral ores, and to obviate their import as much as possible by increasing home production. The minerals designated in this connection are gold, silver, copper, lead, tin, antimony, quicksilver, zinc, iron, iron pyrites, chromium, manganese, tungsten, molybdenum, nickel, cobalt, coal, lignite sulphur, placer gold, placer iron and placer tin. According to the terms of the law, the Government may, when the expansion of mineral production is deemed necessary, command the owners of mining rights to commence or continue operations, take steps for the operation of unworked mines, order the mine-owners to instal, enlarge or improve, their operating facilities, etc.

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## CHAPTER IV.

### Foreign Trade of Japan.

The foreign trade of Japan Proper or the Japanese Empire as a whole was greater in 1937 than in any previous year, but it showed an adverse balance which was a record since 1924, the year after the Great Earthquake of 1923 when enormous quantities of materials were imported for reconstruction work. As compared with 1936, exports and imports gained by 18 per cent and 37 per cent respectively in value due to higher prices, whilst the corresponding increase in quantity was only 4·0 per cent and 6·1 per cent. The export trade during 1937, disclosed an advance in all groups of commodities as compared with a year ago, particularly in finished goods which contributed 61 per cent of the total exports as against 59 per cent in 1936. The sharp

advance in this group is due to higher prices of tissues, clothing, metals, and machinery. Exports of cotton and rayon textiles decreased in quantity largely as a result of price advance resulting from the high cost of imported raw materials. Raw silk exports also declined in volume as against a gain in value. Imports witnessed the largest increase in raw materials and semi-manufactures the share of these two groups in the total import trade rising from 80 per cent in 1936 to 82 per cent The gain in semi-manufactured articles was particularly pronounced, the imports advancing most markedly from 477 million yen to 1,095 million yen. A sharp advance in oils, mineral ores, metals, pulp and chemicals accounted for this increase. Imports of finished goods also showed a considerable gain, due to an increase under machinery.

As usual, Asia again proved to be Japan's best customer, with a share of 52 per cent as compared with 51 per cent in 1936. The increase was due to the larger value of trade with Manchukuo, British India, the Netherlands East Indies and Straits Settlements. Exports to China also registered a slight advance, but this was entirely due to shipments during the first-half of the year. North America, practically speaking the U. S. A., ranked easily as the most important source of Japan's purchases from abroad. The increase in imports from the United States totalling 422 million yen must be ascribed to importation of unlisted war materials as imports of raw cotton showed a decrease. The considerable increase in imports from European industrial countries such as Germany, Great Britain, etc., may also be due to larger purchase of armaments.

As regards Japan's foreign trade for the first quarter of 1938, stagnation marked all lines of exports, all groups excepting foodstuffs, decreasing compared with the corresponding period of the preceding year. The greatest loss was shown in finished goods which contributed 62 per cent of the total export trade, the decrease aggregating 64 million yen or 15 per cent. A sharp decline in cotton, rayon and other textiles and miscellaneous articles accounted for the decrease. Exports of semi-manufactures also showed a decline on account of lower figures for raw silk, metals, vegetable oils, and whale oil. In general, the continued depression in the export trade is mainly due to high prices brought about by the war-time situation and the restrictions on imports of various raw materials.

The import trade during the first quarter of 1938 shrank even more heavily, raw materials in particular declining sharply to 258 million yen, the reduction amounting to nearly 400 million yen. Raw cotton and wool imports registered a fall of 272 and 101 million yen respectively. Imports of metals and machinery gained, however, by 50 million yen. Trade with Asia and North America, the two largest customers of Japanese goods, declined due to shrinkage in the export trade with the United States, British Empire markets, particularly British India, Straits Settlements and British Malaya, the Netherlands East Indies and Philippines. The great decline in shipments to the United States was influenced by general depression entailing reduced purchases of raw silk, silk tissues and miscellaneous goods. Exports to Manchukuo showed a marked advance on account of heavy shipments of metals and machinery. Japan's import trade with every continent, particularly

with Asia and North America, likewise received a setback during this period. The reduction in imports from India and the United States, Egypt, South Africa, Australia and New Zealand was mainly due to Government restrictions on importation of raw cotton in the case of the first three countries, and raw wool in the case of the remaining ones. Manchukuo, Germany and Canada were the only important sources which showed an advance.

The first quarter of 1938 demonstrated the success of the Government restriction scheme towards redeeming the adverse balance of trade. The excess of imports in trade with the United States decreased from 113 million yen last year to 87 million, while trade balance with the chief sources of textile raw materials also showed remarkable improvement, the balance turning in favour of Japan in her trade with British India from —110 million to *plus* 3·5 million, with Australia from —38 million to *plus* 0·3 million yen, with South Africa from —22·45 to *plus* 8·53, with New Zealand from —20·9 to *plus* 1·33.

The characteristics of foreign trade during the period under review are brought out in bold relief if the period is divided into two sections, *viz.*, (1) ante-control period covering the first six months of 1937 which was affected only by rumours and pessimism arising out of uncertain political atmosphere and expectation of Government control of trade, and (2) the period beginning from the second half of 1937 in which the system of Government control was actually introduced and brought into full play.

During the first six months of 1937 the expected and impending import regulations induced many businessmen, specially those in the textile lines to import and hoard up large quantities of raw cotton, wool and pulp. Laying up of military stores, of materials for the expansion of textile and other plants brought the machinery imports to 50 per cent higher than for the past several years and caused an increase in imports of iron, steel, miscellaneous metals, crude rubber and crude oil. The only anxiety of the Japanese industrialists at this stage was to overcome the resistance to the inflow of cheap Japanese manufactures in foreign markets offered by tariff and other restrictions. Commercial agreements had, however, been entered into with India, Australia and the Netherlands East Indies and the stage was thus set for exploiting these markets to the fullest limit permissible under the agreements.

From the second half of 1937 the picture began to change rapidly. Imports of articles required for the munitions industry such as mineral ores, metals, chemicals, oils and machinery (with the exception of pulp for rayon and staple fibre industries) entered prominently into foreign trade. Whereas in the first half of 1937 the anticipation of import restrictions had resulted in heavy purchases of raw materials for industrial uses, and given prominence to the import trade with agricultural countries, during the remaining period the needs of the war industries shifted the centre of gravity to the highly developed industrialised countries. The export trade favoured by the early moves towards conclusion of trade agreements, a friendly international atmosphere and Government-aided trade expansion scheme had shown a healthy gain over 1936, but from the month of October, due to import restrictions and the reactions of wartime economy including a rise of prices, it became apparent that the tide had turned. Other factors, such as the prevalence

of boycott in foreign countries, general trade depression, the diversion of industrial enterprises to the production of munitions, and the measures taken by Government to control industrial production so as to enforce the use of substitutes for imported raw materials in the manufacture of goods for domestic consumption aggravated the situation. One curious result of the regulations requiring compulsory mixing of staple fibre in the production of yarn and textiles for domestic use may appropriately be mentioned here. When the prohibition on local sale of pure cotton yarn and textiles was enforced, the domestic price of these goods in contra-distinction to the export price not unnaturally sky-rocketed. It therefore immediately became more profitable to sell these goods locally than to export them at lower prices abroad, and traders were not slow to take advantage of the abnormal situation to switch over export goods to domestic use. The object of the regulations which were designed to encourage exports was thus frustrated. A simultaneous increase in the cost of production during the latter period of the year under review made it more and more difficult for Japanese textiles to compete on level terms with Indian and British cotton products in markets which she had come to regard as her own. The advantage which she had secured under the trade agreements was thus greatly nullified. Bill clearings, which may be taken as an index of volume of business transacted when qualified by changes in price levels, ran consistently higher in 1937 than in 1936. Since the prices rose, the decline of total clearings for the first quarter of 1938, as compared with 1937, does not reflect the full extent of the shrinkage in transactions. The following statement shows the bill clearings in Japan Proper :—

CLEARINGS IN JAPAN PROPER.

(In Y. 1,000,000).

| | |
|---|---|
| 1931 | 46,222 |
| 1932 | 52,855 |
| 1933 | 66,953 |
| 1934 | 64,414 |
| 1935 | 63,861 |
| 1936 | 69,855 |
| 1937 | 85,270 |

BILL CLEARINGS BY MONTHS.

| — | 1936. | 1937. | 1938. |
|---|---|---|---|
| January | 5,038 | 6,255 | 5,862 |
| February | 5,119 | 6,349 | 6,524 |
| March | 5,664 | 8,119 | 7,685 |
| April | 5,409 | 7,502 | .. |
| May | 5,462 | 7,596 | .. |
| June | 6,230 | 7,120 | .. |
| July | 6,456 | 7,387 | .. |
| August | 5,605 | 6,417 | .. |
| September | 6,028 | 6,561 | .. |
| October | 5,752 | 6,435 | .. |
| November | 5,567 | 6,519 | .. |
| December | 7,519 | 8,999 | .. |
| TOTAL | 69,855 | 85,270 | .. |

A large part of the expansion of business in 1937 as compared with 1936, as indicated by the above returns, must be attributed to the growth of foreign trade. Likewise, much of the contraction of business during the first quarter of 1938 must be credited to decline in international trade.

No official figures of imports and exports of gold and silver have been published since July 1937. The following statistics indicate imports and exports of these articles during the whole year of 1936 and the first seven months of 1937 :—

(In thousand yen.)

| — | 1936. | January to July 1937. |
|---|---|---|
| IMPORTS— | | |
| Into Japan Proper | 915 | 1,320 |
| „ Korea | 7,221 | 855 |
| „ Formosa | 1,582 | 291 |
| „ Manchukuo | .. | .. |
| EXPORTS— | | |
| From Japan Proper | 36,021 | 390,022 |
| „ Korea | 2,108 | 0 |
| „ Formosa | 54 | 0 |
| „ Manchukuo | .. | .. |

Referring specifically to India, both exports to and imports from that country in 1937, as compared with 1936, showed substantial improvement—15·4 per cent in the case of exports and 20·6 per cent in respect of imports—the trade balance moving up further in favour of India. In the first quarter of 1938, Japan's import trade with India showed a catastrophic decline by 76·7 per cent as compared with the imports in the corresponding period in 1937. This enormous shrinkage was the direct result of the control measures adopted during the latter part of 1937. Exports from Japan to India during the first quarter of 1938 also shrank considerably—30·6 per cent as compared with the corresponding period of 1937, and 24·6 per cent as compared with the same quarter of 1936. Comparative figures of the trade between the two countries are shown in the following tables :—

| Imports from British India. | Year. | Exports to British India. |
|---|---|---|
| *(In million yen.)* | | *(In million yen.)* |
| 306 | 1935 | 276 |
| 372 | 1936 | 259 |
| 449 | 1937 | 299 |
| 95 | During the first quarter of 1936 | 57 |
| 172 | „ „ 1937 | 62 |
| 40 | „ „ 1938 | 43 |

The principal imports into Japan from India during 1936 and 1937 and the first quarter of 1938 were as follows:—

(In 1,000 yen.)

| — | 1936. | 1937. | First Quarter of 1938. |
|---|---|---|---|
| TOTAL IMPORTS | *372,009* | *449,487* | *39,583* |
| Raw cotton | 315,061 | 363,635 | 22,067 |
| Hides and skins | 659 | 2,323 | 127 |
| Leather | 2,346 | 3,436 | 352 |
| Pig Iron | 14,570 | .. | .. |
| Iron (excluding plate) | 7,219 | .. | .. |
| Vegetable fibres | 7,342 | 8,344 | 732 |
| Oil cakes | 451 | 1,943 | 47 |
| Oil yielding materials | 1,129 | 2,459 | 161 |
| Beans and peas | 4,249 | 3,234 | 1 |

Publication of import figures relating to certain materials (such as pig iron, ores, etc.), coming under the category of war equipment was discontinued from August 1937, and were not given in the Japanese official statistics for that year. It is however believed that very large quantities of pig iron and scraps, etc., have been imported.

The following were the principal exports from Japan to India during the periods :—

(In 1,000 yen.)

| — | *1936.* | *1937.* | First Quarter of 1938. |
|---|---|---|---|
| TOTAL EXPORTS | *259,108* | *299,367* | *43,110* |
| Cotton Yarns | 18,051 | 19,846 | 3,477 |
| Raw Silk | 3,872 | 8,460 | 499 |
| Artificial silk | 8,747 | 23,154 | 902 |
| Cotton Tissues (grey) | 33,107 (274,789,000 sq. yards.) | 16,916 (123,189,000 sq. yards.) | 7,466 (59,608,270 sq. yards.) |
| Cotton Tissues (bleached) | 9,210 (54,168,000 sq. yards.) | 13,011 (72,917,000 sq. yards.) | 2,739 (17,757,000 sq. yards.) |
| Cotton Tissues (Other) | 30,200 (150,720,000 sq. yards.) | 33,114 (135,085,000 sq. yards.) | 4,728 (20,932,773 sq. yards.) |
| Woollen Tissues | 5,254 | 9,883 | 309 |
| Silk Tissues | 13,203 | 13,838 | 2,104 |
| Artificial silk tissues | 26,221 | 32,466 | 3,863 |
| Cotton blankets | 1,894 | 1,610 | 3 |
| Knitted goods | 4,256 | 4,560 | 720 |
| Hats, caps, bonnets and hat bodies | 1,247 | 1,736 | 63 |
| Buttons | 1,116 | 1,432 | 154 |
| Jwellery for personal adornment | 3,202 | 4,048 | 867 |
| Papers | 1,025 | 1,613 | 290 |
| Potteries | 3,696 | 4,240 | 578 |

(In 1,000 yen.)

| — | 1936 | 1937 | First Quarter of 1938 |
|---|---|---|---|
| Glass and glass manufactures | 5,817 | 7,215 | 1,502 |
| Brass . . . . | 2,926 | 1,365 | 41 |
| Iron manufactures | 4,309 | 6,221 | 774 |
| Gum tyres . . . . . | 1,206 | 1,099 | 180 |
| Machinery and parts thereof . . | 2,969 | 6,443 | 1,919 |
| Wood . . . . . . . | 1,123 | 1,533 | 340 |
| Lamps and parts thereof . . | 1,148 | 1,584 | 202 |
| Toys . . . . . . . | 2,783 | 2,787 | 274 |

Tables reproduced below indicate the changes which have occurred in the foreign trade of Japan during the period under review. In Table III, Japan's balance of trade with British India has been indicated month by month in the light of her general trade balance position, from January 1936 to March 1938.

TABLE I.

*Foreign Trade by Groups of Commodities.*

(In million yen.)

| — | Food-stuffs. | Raw materials. | Semi-manufactured goods | Manufactured goods. | Total. |
|---|---|---|---|---|---|
| EXPORT— | | | | | |
| 1937 . . . . . . . | 248·1 | 133 1 | 814·6 | 1,899·7 | 3,131·5 |
| Per cent . . . . . . | 7 9 | 4 3 | 26 0 | 60 7 | 100 0 |
| 1936 . . . . . . . | 203 7 | 126·6 | 716 4 | 1,563·4 | 2,641 5 |
| Per cent . . . . . . | 7·7 | 4·8 | 27·1 | 59 2 | 100 0 |
| 1935 . . . . . . . | 197·1 | 110 5 | 672 4 | 1,431 3 | 2,460 3 |
| Per cent . . . . . . | 8·0 | 4·5 | 27 3 | 59 0 | 100 0 |
| IMPORT— | | | | | |
| 1937 . . . . . . . | 251·5 | 1,994 6 | 1,095 3 | 420 8 | 3,776 3 |
| Per cent . . . . . . | 6 7 | 52 8 | 29 0 | 11·1 | 100·0 |
| 1936 . . . . . . . | 231·2 | 1,737 7 | 476 6 | 294 3 | 2,733 3 |
| Per cent . . . . . . | 8 4 | 63 1 | 17·3 | 10 7 | 100 0 |
| 1935 . . . . . . . | 192 6 | 1,507·6 | 468 6 | 286 3 | 2,465 6 |
| Per cent . . . . . . | 7 8 | 61·1 | 19 0 | 11·6 | 100 0 |

Not including re-exports or re-imposts.

## Table II.

### *Foreign Trade by Leading Countries.*

(In thousand yen.)

| — | 1937. | | Increase (+) or decrease (—) as compared with the previous year. | | Trade Balance. | |
|---|---|---|---|---|---|---|
| | Export. | Import. | Export. | Import. | 1936. | 1937. |
| Asia . . . . . | 1,648,668 | 1,297,932 | 273,405 | 238,305 | +310,636 | +350,736 |
| British India . . . | 290,367 | 440,486 | 40,250 | 77,477 | —112,901 | —150,119 |
| Manchukuo and Kwantung Prov. | 612,008 | 294,270 | 113,084 | 54,854 | +258,609 | +317,739 |
| China . . . . . | 179,251 | 143,636 | 19,560 | (—)11,202 | +4,858 | +35,615 |
| Hong Kong . . . | 49,150 | 5,332 | (—)9,295 | 2,050 | +55,163 | +43,818 |
| Straits Settlements and Malaya. | 71,299 | 115,591 | 10,088 | 35,292 | —19,088 | —44,292 |
| Netherlands East Indies . | 200,051 | 153,450 | 70,556 | 89,904 | +15,950 | +46,601 |
| Europe . . . . | 353,202 | 501,183 | 49,777 | 175,535 | —22,228 | —147,981 |
| Great Britain . . | 167,954 | 105,758 | 20,645 | 82,816 | +74,367 | +62,196 |
| Germany . . . | 43,261 | 176,377 | 8,196 | 60,877 | —80,435 | —133,116 |
| France . . . . | 47,208 | 27,885 | 3,733 | 7,987 | +23,577 | +19,323 |
| Belgium . . . | 20,650 | 41,059 | 4,420 | 25,040 | +211 | —20,409 |
| Sweden . . . | 11,545 | 49,277 | 2,724 | 26,168 | —14,288 | —37,732 |
| North America . . | 659,601 | 1,374,252 | 50,744 | 463,468 | —311,027 | —714,651 |
| United States . . | 639,428 | 1,269,542 | 45,177 | 422,052 | —253,202 | —630,114 |
| Canada . . . . | 20,036 | 104,692 | 5,482 | 81,518 | —58,625 | —84,656 |
| Central America . . | 54,885 | 18,765 | 13,644 | (—)3,026 | +19,450 | +36,120 |
| South America . . | 109,519 | 162,611 | 40,758 | 50,421 | —43,429 | —53,092 |
| Argentine . . . | 42,481 | 42,018 | 19,769 | 12,029 | —7,276 | +463 |
| Brazil . . . . | 17,305 | 62,810 | 8,465 | 15,458 | —38,512 | —45,505 |
| Uruguay . . . | 10,106 | 33,926 | 2,215 | 24,398 | —1,637 | —23,820 |
| Africa . . . . | 242,736 | 206,305 | 45,033 | 98,162 | +89,560 | +36,431 |
| Egypt . . . . | 32,772 | 74,118 | (—)8,135 | 28,381 | —4,830 | —41,346 |
| Union of South Africa . | 53,739 | 88,852 | 12,215 | 66,291 | +18,973 | —35,103 |
| Oceania . . . | 106,463 | 222,129 | 8,736 | 11,631 | —112,771 | —115,666 |
| Australia . . . | 72,080 | 165,252 | 3,317 | (—)16,662 | —113,151 | —93,172 |
| New Zealand . . . | 19,356 | 48,633 | 2,616 | 26,660 | —5,233 | —29,277 |

## TABLE III.

*Japan's Foreign Trade Balance and Balance of Trade with India, month by month.*

(In million yen)

| — | Total Export | Share of India | Total Imports | Share of India | Japan's Balance of Trade with India. | Japan's General Foreign Trade Balance |
|---|---|---|---|---|---|---|
| **1936** | | | | | | |
| January | 175 | 17·3 | 245 | 27·5 | —19·2 | —70 |
| February | 194 | 18·2 | 252 | 27·4 | —9·2 | —58 |
| March | 215 | 21·6 | 276 | 40·2 | —18·6 | —61 |
| April | 205 | 19·8 | 247 | 35·8 | —16·0 | —42 |
| May | 220 | 22·2 | 241 | 41·0 | —18·8 | —21 |
| June | 208 | 21·3 | 229 | 40·8 | —19·5 | —21 |
| July | 223 | 21·5 | 203 | 42·1 | —20·6 | +20 |
| August | 230 | 21·3 | 191 | 30·9 | —9·6 | +39 |
| September | 244 | 22·8 | 190 | 29·0 | —6·2 | +54 |
| October | 245 | 24·1 | 187 | 18·0 | +6·1 | +58 |
| November | 237 | 21·3 | 218 | 12·0 | +9·3 | +19 |
| December | 297 | 27·8 | 285 | 26·3 | +1·5 | +12 |
| **1937** | | | | | | |
| January | 199 | 18·3 | 304 | 54·7 | —36·4 | —105 |
| February | 226 | 19·4 | 302 | 60·3 | —40·9 | —76 |
| March | 276 | 23·9 | 401 | 56·5 | —32·6 | —125 |
| April | 263 | 17·8 | 337 | 33·7 | —15·9 | —76 |
| May | 282 | 20·9 | 420 | 52·8 | —31·9 | —138 |
| June | 281 | 22·2 | 382 | 50·8 | —28·6 | —101 |
| July | 282 | 25·0 | 359 | 49·1 | —24·1 | —77 |
| August | 250 | 26·3 | 303 | 36·0 | —9·7 | —53 |
| September | 292 | 35·4 | 263 | 29·3 | +6·1 | +29 |
| October | 297 | 35·1 | 244 | 8·3 | +26·8 | +53 |
| November | 253 | 27·2 | 210 | 8·9 | +18·3 | +43 |
| December | 273 | 27·9 | 258 | 9·2 | +18·7 | +15 |
| **1938** | | | | | | |
| January | 163 | 14·8 | 193 | 8·9 | +5·9 | —30 |
| February | 182 | 14·4 | 187 | 8·0 | +6·2 | —5 |
| March | 226 | 13·9 | 244 | 22·5 | —8·6 | —19 |

TABLE IV.

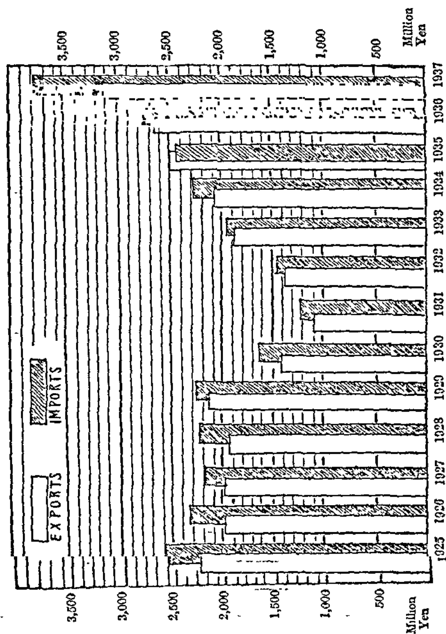
*Value and Volume of Foreign Trade of Japan, 1925-37.*

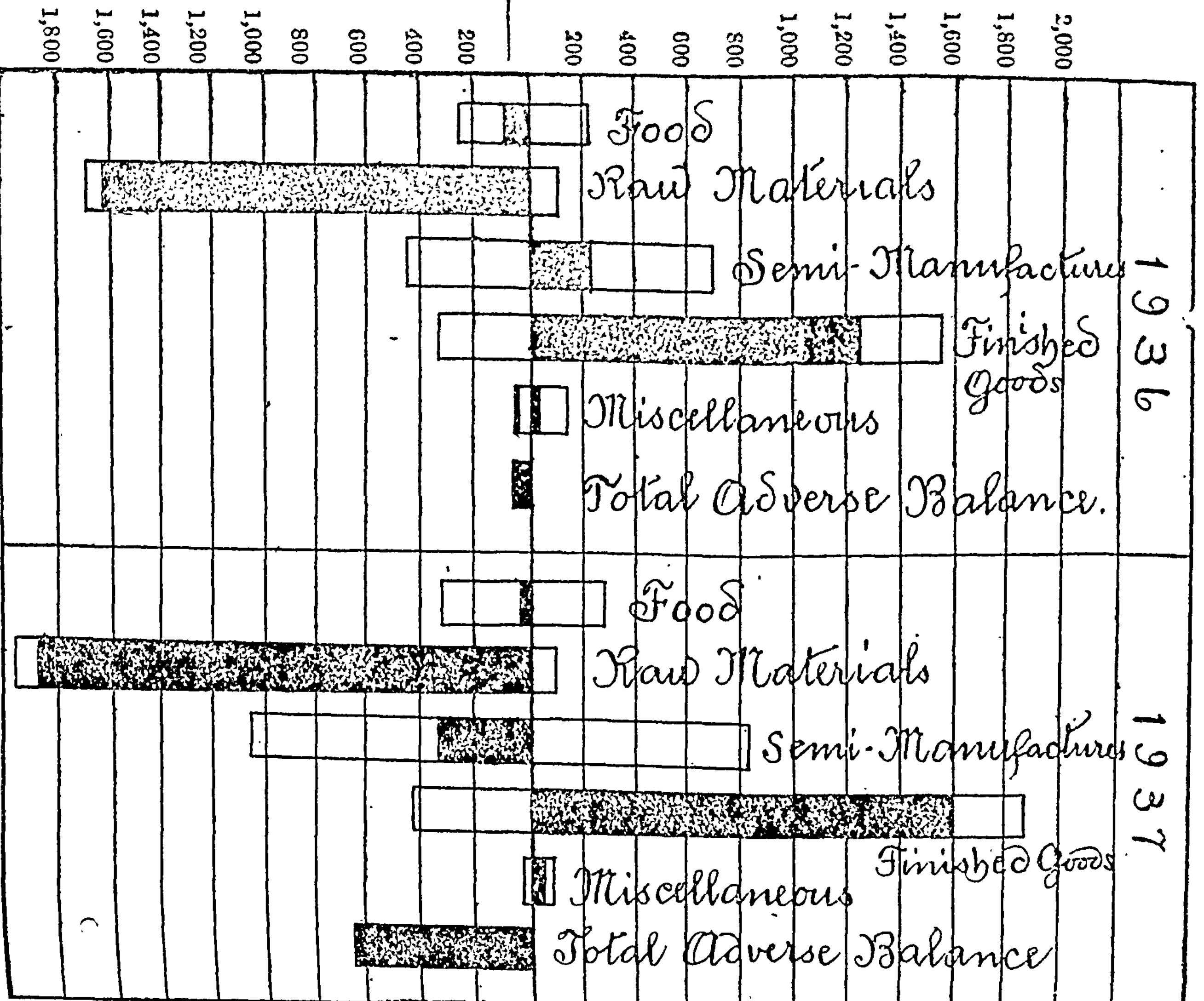
| Year. | Value. | | | Trade balance (millions of yen). | Average exchange value of yen. | Volume. | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Exports (millions of yen) (a). | Imports (millions of yen)(a). | Total (millions of yen). | | | Exports (1,000 tons) (b). | Imports (1,000 tons) (b). | Yokohama Speci Bank quantum Index (1928-100) | |
| | | | | | | | | Exports. | Impor |
| 1925 . . | 2,306 | 2,573 | 4,879 | —267 | $0·4104 | 5,018 | 14,731 | .. | .. |
| 1926 . . | 2,045 | 2,377 | 4,422 | —332 | ·4712 | 6,000 | 16,987 | .. | .. |
| 1927 . . | 1,992 | 2,179 | 4,171 | —187 | ·4741 | 5,785 | 17,772 | .. | .. |
| 1928 . . | 1,972 | 2,196 | 4,168 | —224 | ·4640 | 6,485 | 20,182 | .. | .. |
| 1929 . . | 2,149 | 2,216 | 4,365 | —67 | ·4610 | 6,206 | 21,181 | 100·0 | 100·0 |
| 1930 . . | 1,470 | 1,546 | 3,016 | —76 | ·4939 | 6,255 | 18,635 | 109·9 | 102·2 |
| 1931 . . | 1,147 | 1,236 | 2,383 | —89 | ·4885 | 5,295 | 18,263 | 102·6 | 92·1 |
| 1932 . . | 1,410 | 1,431 | 2,841 | —21 | ·2811 | 5,956 | 17,783 | 105·8 | 102·2 |
| 1933 . . | 1,861 | 1,917 | 3,778 | —56 | ·2565 | 7,307 | 19,959 | 125·0 | 100·9 |
| 1934 . . | 2,172 | 2,283 | 4,455 | —111 | ·2972 | 8,264 | 23,058 | 138·1 | 104·6 |
| 1935 . . | 2,499 | 2,472 | 4,971 | +27 | ·2871 | 9,045 | 26,256 | 163·4 | 111·6 |
| 1936 . . | 2,693 | 2,764 | 5,457 | —71 | ·2902 | 7,248X | 12,079X | 185·3 | 116·9 |
| 1937 . . | 3,175 | 3,783 | 6,958 | —608 | ·2853 | 7,620X | 12,577X | 202·1 | 128·2 |

(a) Import excess designated by —; export excess by +.
(b) In "Cargo" tons, partly of 2,240 pounds and partly of 40 cubic feet X at 40 c.ft. per ton.

## JAPAN'S FOREIGN TRADE BALANCES.

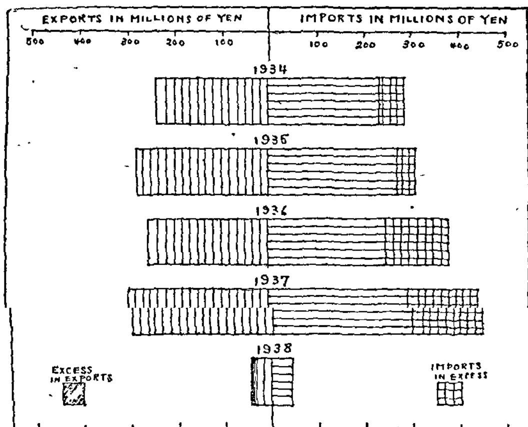
### 1925-1937.



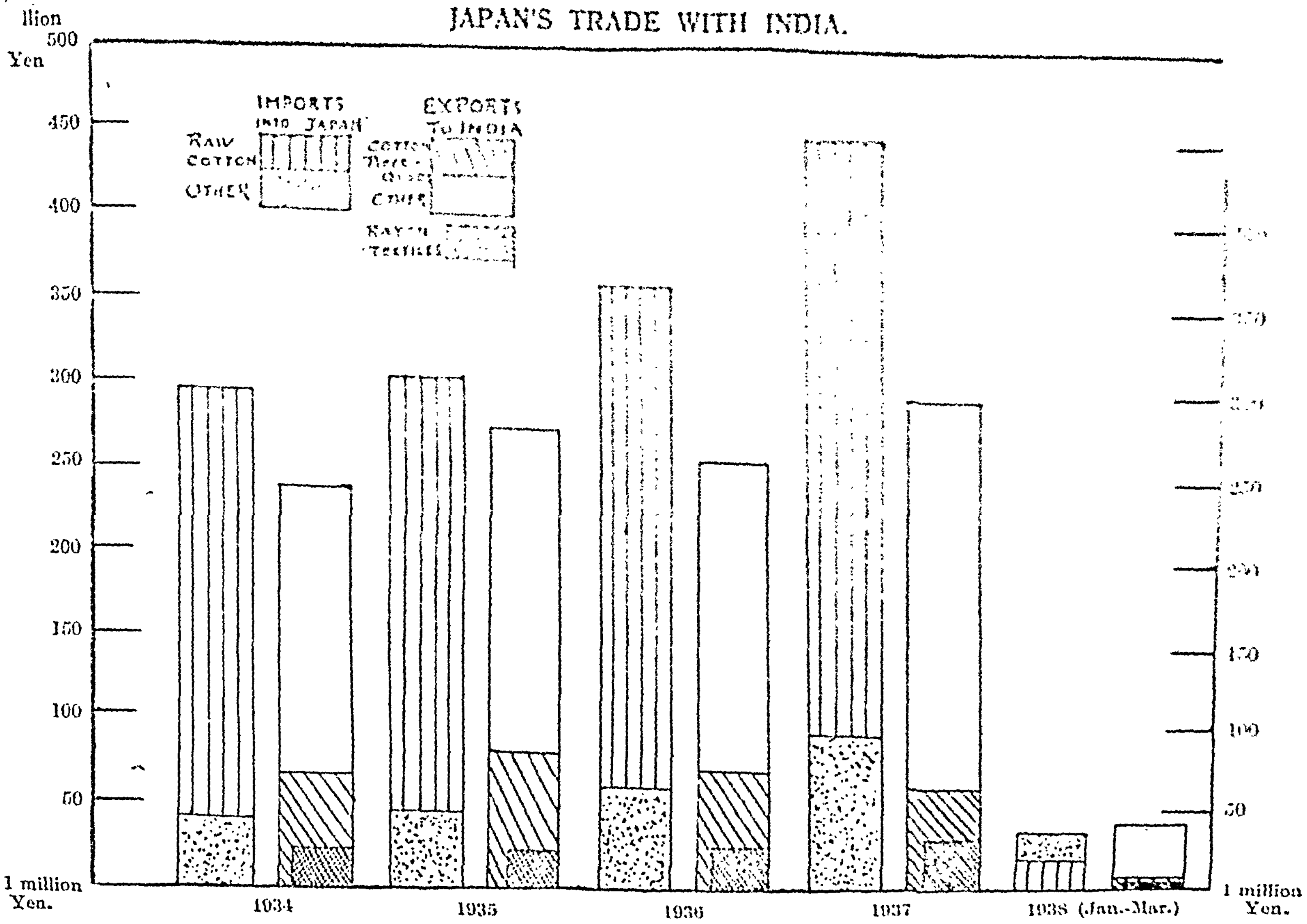

JAPAN'S TRADE BY CATEGORIES.
IMPORTS.
EXPORTS.
1,800
1,600
1,400
1,200
1,000
800
600
400
200
200
400
600
800
1,000
1,200
1,400
1,600
1,800
2,000
1936
Food
Raw Materials
Semi-Manufactures
Finished Goods
Miscellaneous
Total Adverse Balance.
1937
Food
Raw Materials
Semi-Manufactures
Finished Goods
Miscellaneous
Total Adverse Balance

## JAPAN'S BALANCE OF TRADE WITH INDIA.

### 1934 to 1938.



# JAPAN'S TRADE WITH INDIA.



*Shipping.*

Foreign trade, specially in the case of Japan, is inseparably linked with the carrying trade. The Japanese merchant fleet which was surpassed only by Great Britain and the U. S. A. at the end of the War has since then made further progress with the assistance of Government. In 1931 the Ship Improvement Subsidy Law was enacted with the object of replacing ships twenty-five years old and over by modern craft. The law provides for a subsidy of yen 55 for every ton of new ships built in accordance with the specifications of the Department of Communications with the scrapping of two tons of vessels of the age specified above. The following shipping subsidies have been granted in recent years:—

(In 1,000 yen.)

| —— | Special subsidy under the Subsidy Law. | Other subsidies. | Total. |
|---|---|---|---|
| 1932 | 6,562 | 3,907 | 10,469 |
| 1933 | 6,538 | 3,837 | 10,375 |
| 1934 | 6,200 | 3,796 | 9,996 |
| 1935 | 5,962 | 3,721 | 6,683 |
| 1936 | including air transport. | .. | 1,693 |
| 1937 | Do. | .. | 16,134 |

A new policy of which the following were the prominent features was adopted in 1936:—

(1) Subsidy to be given to building of new ships. Yen 6 million to be spent in four years.

(2) Subsidisation of ocean navigation. Yen 0·90 a ton per month to be paid for navigation in South Pacific east of Panama and west of Suez.

(3) Extension of credit facilities to ship owners.

The first route on which competition by newly-equipped ocean-going vessels made itself felt was the East Asia-New York Line. Later, Japanese boats successively intruded on routes between Japan and British India, Australia, South Africa and South America. The prosperity in Japanese shipping was well-pronounced in 1935. The improved quality of the mercantile fleet, the expansion of external trade and later, the world-wide recovery appear to be the important contributory factors. Lower freight rates made possible by the depreciation of the Yen also greatly helped the successful competition of Japanese shipping. The advance has been most spectacular on Japan-New York and Japan-British Lines, although tramps have been playing an active part on routes between Japan and the Philippine Islands, French Indo-China and Singapore, North America (Atlantic Coast) and Africa. Since the autumn, however, considerable part of this tonnage has been

employed in home waters on account of increased activity in coastal traffic and later in carrying war materials and troops to China.

*Passenger and cargo service between British India and Japan.*

| — | April 1929. | | | December 1934. | | | December 1935. | | | December 1936. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. | Tons gross. | Per cent. | No. | Tons gross. | Per cent. | No. | Tons gross. | Per cent. | No. | Tons gross. | Per cent. |
| Japanese . | 27 | 149,363 | 53·3 | 39 | 235,023 | 71·1 | 42 | 255,243 | 72·6 | 48 | 295,137 | 73·6 |
| British . | 20 | 130,755 | 46·7 | 15 | 95,514 | 28·9 | 15 | 95,385 | 27·4 | 17 | 105,695 | 26·4 |
| TOTAL . | 47 | 280,118 | 100·0 | 54 | 330,537 | 100·0 | 57 | 350,628 | 100·0 | 65 | 400,832 | 100·0 |

Acute shortage in bottoms was felt in 1937 owing to their heavy demand for military purposes. Although the volume of Japan's external trade in 1937, totalling about 40 million tons, showed an increase of 6·7 per cent as compared with the preceding year, the volume of shipping entering and clearing from Japan showed a decrease of 5·2 per cent. The tonnage of Japanese vessels also registered a decrease of 9·9 per cent and consequently the share of the Japanese boats in the external trade in 1937 influenced by the China Incident witnessed a further decline to 56·5 per cent from the level of the past few years. The following gives the picture of development of Japan's external trade and shipping in recent years :—

*Development of Japanese foreign trade and shipping.*

| — | | 1929. | 1931. | 1934. | 1935. | 1936. | 1937. |
|---|---|---|---|---|---|---|---|
| Foreign trade | Million Yen . . | 4,365 | 2,383 | 4,455 | 4,971 | 5,457 | 6,959 |
| | Index . . . . | 100 | 54·6 | 102·1 | 113·9 | 125·0 | 159·4 |
| Cargoes . | Million ton d.-w. . | 12·7 | 9·9 | 14·2 | 16·7 | 18·0 | 19·7 |
| | Index . . . . | 100 | 78·6 | 111·9 | 131·5 | 141·7 | 155·1 |
| | Million cubic ton . | 14·7 | 13·6 | 17·2 | 18·6 | 19·3 | 20·2 |
| | Index . . . . | 100 | 92·4 | 116·5 | 126·4 | 131·3 | 137·4 |
| Total shipping (for external trade only) : Thousand vessels. | | 36·5 | 35·6 | 39·4 | 43·7 | 45·9 | 43·3 |
| Million gross tons . . . . . | | 110·6 | 113·1 | 131·5 | 147·5 | 153·2 | 145·3 |
| Index . . . . . . . | | 100 | 102·3 | 118·9 | 133·4 | 138·5 | 131·4 |
| Japanese vessels. | Thousand vessels . | 28·2 | 26·2 | 26·4 | 27·8 | 28·6 | 25·2 |
| | Million gross tons . | 73·9 | 73·6 | 81·0 | 87·8 | 91·1 | 82·1 |
| | Index . . . . | 100 | 99·6 | 109·6 | 118·8 | 123·3 | 111·1 |
| Ratio of Japanese vessels participating in Japan's external shipping (%) | | 66·8 | 65·1 | 61·6 | 59·5 | 59·5 | 56·5 |

By the middle of 1937, the seven leading shipping companies, *viz.*—

The Nippon Yusen Kaisha,
Osaka Shosen Kaisha,
Mitsui,
Yamashita,
Kawasaki,
Kokusai and
Daido Shipping Company

organised themselves into a federated body under the style of the Japan Shipping Federation. The object of the Federation is to exercise an "autonomous control" over Japanese shipping in the national interests in view of the tense international situation. Soon after the commencement of the Sino-Japanese hostilities a large number of vessels were withdrawn from their usual routes for military transportation service. The scarcity of vessels in home waters was however to some extent relieved by the gradual increase of both foreign and imported vessels in consequence of special concessions in coastal traffic extended by the Government to the Japanese-owned foreign vessels. Owing to the world-wide decrease in the movement of agricultural products and the restrictions on imports into Japan the overseas routes became gradually inactive towards the end of 1937. The freight rates which had already advanced since early 1937 on account of the heavy movement of scrap iron, timber, wheat, wool, etc., were further increased and the Federation announced maximum standard freight rates on August 8, 1937. The shipping companies enjoyed another prosperous year in 1937, the profits earned being higher as compared with the preceding years.

Ocean freight rates for some of the selected commodities that enter into Indo-Japanese trade as they existed at the end of March 1938 are given below :—

| Commodities. | | Bombay. | Calcutta. |
|---|---|---|---|
| Raw cotton | Per metric ton of 40 c. ft. | Yen 21·00 or Yen 6 16 per bale by Special contract | |
| Cotton waste | ,, | Yen 26 00 | Yen 24 00 |
| Cotton goods, cotton and rayon mixed goods, cotton back satin. | ,, | Yen 29 00 | Yen 24 00 |
| Cotton yarn, mercerized yarn, cotton drill, sheeting, shirting, twill, Dhoty, Jeans, Flannel and other cotton piecegoods. | ,, | Yen 20 00 | Yen 20 00 |
| Cotton and rayon mixed piecegoods, cotton and rayon mixed yarn. | ,, | Yen 22 00 | Yen 22 00 |
| Cotton and Woollen hosiery caps | ,, | Yen 22 00 | Yen 22 00 |
| Pig Iron | Per 20 cwt. | Rs. 12 | Rs. 12-8 or Rs. 8-12 by Special contract. |
| Raw Hides | Per 40 c. ft. | Rs. 30 | Rs. 42 per 50 c. ft. |
| Fleshings | ,, or 10 cwt. | Rs 13 | .. |

# CHAPTER V.

## FOREIGN EXCHANGE CONTROL.

In the preceding chapter the position of Japan's international trade has been analysed and the effect of Government's trade control policy on the direct movement of goods has been indicated. In this chapter an explanation will be offered of the foreign exchange policy of the Japanese Government.

For some years past, Japan's foreign trade has been subject to adverse balances. During 1930 and 1931 specially, the foreign trade account of Japan created an abnormal situation. In ordinary years, the international debit accounts of the country, as brought about by excess of imports, had been generally covered by the proceeds of invisible accounts due to Japan in the form of receipts from shipping services, profits from Japanese enterprises and remittances from Japanese emigrants in foreign countries, insurance premia, expenditure in Japan by foreign tourists, etc. The two years were abnormal in that not only did invisible receipts show a considerable decline but the interest burden on foreign loans appreciably increased on account of the shrinkage of Japanese exchange rates. By the imposition of the gold embargo on December 10, 1931, *abandoning the gold standard and prohibiting* the private shipment of gold, the Government took upon themselves the task of operating and maintaining the external exchange value of the national currency. The depreciation of the yen enabled the Japanese products to be sold at cheaper prices in foreign markets while providing better returns in yen to Japanes exporters. The result was that the country entered upon an era of unrestricted speculative enthusiasm based on vague inflationary optimism. The timely intervention of the Government with the co-operation of the banking circles stemmed the tide of this speculative tendency, but the outflow of specie in consequence of the flight of capital both in the form of Japanese investments made abroad and withdrawals from Japan of capital invested in the country by foreigners, continued. The Sino-Japanese trouble of 1932 at Shanghai and the successive occurrence of political incidents creating an atmosphere of unrest brought about a further deterioration of trade balance and international payments—the excess of imports for the first half of 1932 rising almost to double the amount of the corresponding period of the previous year. The latter half of 1932, however, showed some improvement in the position of the yen with the introduction of the Capital Flight Prevention Law in July followed by increase not only in receipts in invisible trade accounts but also by a remarkable expansion in exports.

2. In order to control more effectively the situation arising out of the various causes—economic and political—that conspired to undermine the position of the yen, as well as to provide against any new development in this connection which the Government feared might be brought about by increased importation of raw materials and war supplies required to maintain Japan's position in the world armament race and to promote and stabilize her position in China the Foreign Exchange Control Law (Law No. 28 of 1933) was introduced early in 1933 (enforced from May 1). With its enforcement the earlier

pital Flight Prevention Law was revoked. The enactment of 1933 forms the basis for all foreign exchange regulations that have since come into operation. The objects and reasons of this enactment as described in Article 1 of the Law were to prohibit or restrict the following acts or transactions :—

(a) Acquisition or disposal of foreign currency or foreign exchange.

(b) Export of currency, gold bullion, gold alloys or articles principlly composed of gold, or the melting down, damaging or destruction of gold coins.

(c) Remittances to foreign countries by methods not included in items (a) and (b) above.

(d) Payments in Japan under instructions given in a foreign country.

(e) Engagements relating to rates of foreign exchange.

(f) Acquisition or disposal of securities, claims or liabilities expressed in foreign currency.

(g) Acquisition or disposal of claims against, or obligations of, persons domiciled in foreign countries expressed in domestic currency.

(h) Issue or acquisition of letters of credit.

(i) Acts of granting credit to persons residing in foreign countries.

(j) Exportation or importation of securities.

(k) Exportation or importation of merchandise for which covering foreign exchange is not negotiated for the whole or part of the value thereof.

(l) Acquisition or disposal of property located in countries, that are not enumerated in items (a), (f) or (g).

The object of the law of 1933 was to prevent the flight of capital and to check speculative transactions in foreign exchange.

During 1933, the invisible export receipts of Japan were sufficient to cover the adverse trade balance and still leave a credit of about 91 million yen, this being the first substantial favourable balance of payment since the World War. The range of yen-dollar fluctuations narrowed considerably and the weak tendency of the rate on London also largely disappeared. After the United States embargo on gold export, the rate on London became the standard quotation on the yen exchange market which since then has entered a period, more or less, of stability.

The autumn of 1936 marked the beginning of a change in the general conditions in Japan. Announcement of draft programme for tariff changes, further increases in military appropriations, upward trends in world prices and other influences conspired to stimulate anticipatory import movements of enormous proportions. This in turn created an immense demand for foreign currency to finance these operations. Naturally, the value of the yen

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Capital Flight Prevention Law was revoked. The enactment of 1933 forms the basis for all foreign exchange regulations that have since come into operation. The objects and reasons of this enactment as described in Article I of the Law were to prohibit or restrict the following acts or transactions :—

(*a*) Acquisition or disposal of foreign currency or foreign exchange.

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(*c*) Remittances to foreign countries by methods not included in items (*a*) and (*b*) above.

(*d*) Payments in Japan under instructions given in a foreign country.

(*e*) Engagements relating to rates of foreign exchange.

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(*a*) Acquisition or disposal of foreign currency or foreign exchange.

(*b*) Export of currency, gold bullion, gold alloys or articles principlly composed of gold, or the melting down, damaging or destruction of gold coins.

(*c*) Remittances to foreign countries by methods not included in items (*a*) and (*b*) above.

(*d*) Payments in Japan under instructions given in a foreign country.

(*e*) Engagements relating to rates of foreign exchange.

(*f*) Acquisition or disposal of securities, claims or liabilities expressed in foreign currency.

(*g*) Acquisition or disposal of claims against, or obligations of, persons domiciled in foreign countries expressed in domestic currency.

(*h*) Issue or acquisition of letters of credit.

(*i*) Acts of granting credit to persons residing in foreign countries.

(*j*) Exportation or importation of securities.

(*k*) Exportation or importation of merchandise for which covering foreign exchange is not negotiated for the whole or part of the value thereof.

(*l*) Acquisition or disposal of property located in countries, that are not enumerated in items (*a*), (*f*) or (*g*).

The object of the law of 1933 was to prevent the flight of capital and to check speculative transactions in foreign exchange

During 1933, the invisible export receipts of Japan were sufficient to cover the adverse trade balance and still leave a credit of about 91 million yen, this being the first substantial favourable balance of payment since the World War. The range of yen-dollar fluctuations narrowed considerably and the weak tendency of the rate on London also largely disappeared. After the United States embargo on gold export, the rate on London became the standard quotation on the yen exchange market which since then has entered a period, more or less, of stability.

The autumn of 1936 marked the beginning of a change in the general conditions in Japan. Announcement of draft programme for tariff changes, further increases in military appropriations, upward trends in world prices and other influences conspired to stimulate anticipatory import movements of enormous proportions. This in turn created an immense demand for foreign currency to finance these operations. Naturally, the value of the yen

# CHAPTER V.

## FOREIGN EXCHANGE CONTROL.

In the preceding chapter the position of Japan's international trade has been analysed and the effect of Government's trade control policy on the direct movement of goods has been indicated. In this chapter an explanation will be offered of the foreign exchange policy of the Japanese Government.

For some years past, Japan's foreign trade has been subject to adverse balances. During 1930 and 1931 specially, the foreign trade account of Japan created an abnormal situation. In ordinary years, the international debit accounts of the country, as brought about by excess of imports, had been generally covered by the proceeds of invisible accounts due to Japan in the form of receipts from shipping services, profits from Japanese enterprises and remittances from Japanese emigrants in foreign countries, insurance premia, expenditure in Japan by foreign tourists, etc. The two years were abnormal in that not only did invisible receipts show a considerable decline but the interest burden on foreign loans appreciably increased on account of the shrinkage of Japanese exchange rates. By the imposition of the gold embargo on December 10, 1931, abandoning the gold standard and prohibiting the private shipment of gold, the Government took upon themselves the task of operating and maintaining the external exchange value of the national currency. The depreciation of the yen enabled the Japanese products to be sold at cheaper prices in foreign markets while providing better returns in yen to Japanes exporters. The result was that the country entered upon an era of unrestricted speculative enthusiasm based on vague inflationary optimism. The timely intervention of the Government with the co-operation of the banking circles stemmed the tide of this speculative tendency, but the outflow of specie in consequence of the flight of capital both in the form of Japanese investments made abroad and withdrawals from Japan of capital invested in the country by foreigners, continued. The Sino-Japanese trouble of 1932 at Shanghai and the successive occurrence of political incidents creating an atmosphere of unrest brought about a further deterioration of trade balance and international payments—the excess of imports for the first half of 1932 rising almost to double the amount of the corresponding period of the previous year. The latter half of 1932, however, showed some improvement in the position of the yen with the introduction of the Capital Flight Prevention Law in July followed by increase not only in receipts in invisible trade accounts but also by a remarkable expansion in exports.

2. In order to control more effectively the situation arising out of the various causes—economic and political—that conspired to undermine the position of the yen, as well as to provide against any new development in this connection which the Government feared might be brought about by increased importation of raw materials and war supplies required to maintain Japan's position in the world armament race and to promote and stabilize her position in China the Foreign Exchange Control Law (Law No. 28 of 1933) was introduced early in 1933 (enforced from May 1). With its enforcement the earlier

Capital Flight Prevention Law was revoked. The enactment of 1933 forms the basis for all foreign exchange regulations that have since come into operation. The objects and reasons of this enactment as described in Article 1 of the Law were to prohibit or restrict the following acts or transactions:—

(a) Acquisition or disposal of foreign currency or foreign exchange.

(b) Export of currency, gold bullion, gold alloys or articles principaplly composed of gold, or the melting down, damaging or destruction of gold coins.

(c) Remittances to foreign countries by methods not included in items (a) and (b) above.

(d) Payments in Japan under instructions given in a foreign country.

(e) Engagements relating to rates of foreign exchange.

(f) Acquisition or disposal of securities, claims or liabilities expressed in foreign currency.

(g) Acquisition or disposal of claims against, or obligations of, persons domiciled in foreign countries expressed in domestic currency.

(h) Issue or acquisition of letters of credit.

(i) Acts of granting credit to persons residing in foreign countries.

(j) Exportation or importation of securities.

(k) Exportation or importation of merchandise for which covering foreign exchange is not negotiated for the whole or part of the value thereof.

(l) Acquisition or disposal of property located in countries, that are not enumerated in items (a), (f) or (g).

The object of the law of 1933 was to prevent the flight of capital and to check speculative transactions in foreign exchange.

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in terms of Pound sterling slipped to 1*s*. $1\frac{25}{32}$*d*. in the open market at the beginning of 1937, with indications of further decline. As already mentioned above, the Exchange Control Law had not hitherto been invoked to exercise restriction on the acquirement of exchange for importation of goods although it embodied the principle for such acquirement and its extension to include import control. It was now felt necessary to introduce control in this direction also and a system of such import exchange control was accordingly brought about through the promulgation of an Ordinance on January 8, 1937.

In August 1937 the parent enactment, the Foreign Exchange Control Law of 1933, was itself revised (amending Law No. 81 of August 27, 1937) empowering the Government to prohibit or restrict the export as well as the import of commodities for which foreign exchange had not been acquired for the whole or part of the value of the transaction. The Law was further amended in the following month (amending Law No. 89, dated September 9, 1937) empowering the Government to prohibit or restrict the disposal or obtaining of loans or debts to persons resident abroad. At the same time it gave powers to the Government to prohibit or restrict the disposal or acquirement of properties abroad. The Government could further call for information and examine books and other records in connection with disposal orders. Stipulation, *inter alia*, was also made for compulsory sale to the Bank of Japan at the orders of the Government not only of bullion, foreign currencies and foreign drafts, but also debentures or loans in foreign currencies, or loans to persons living abroad in Japanese currency and all other properties abroad, held by Japanese nationals.

The ordinance (Ordinance No. 7 of 1933 promulgated on April 26, 1933) which originally defined the application of the Foreign Exchange Control Law of 1933 has since then been revised seven times.

The other basic Ordinance, Ordinance No. 1 of 1937 as subsequently thrice amended is the most important from the point of view of foreign trade, for it deals specifically with restriction of payments for merchandise imports and of payments by foreign exchange banks under instructions given in a foreign country.

The exchange control law was reinforced by some subsidiary legislative measures such as the Gold Fund Special Account Law which authorised a re-valuation of gold on a new basis of 290 milligrams per yen while the Foreign Trade Control Law directly sought to improve Japan's balance of trade. Besides, through the initiative of the Government and the Bank of Japan, all exchange banks in Japan concluded an agreement in respect of exchange transactions on London on the following terms:—

(1) The rate would in principle be quoted by the gradation of $\frac{1}{32}$*d*. ("One point" denotes $\frac{1}{16}$*d*.).

(2) The spot rate for T. T. selling was fixed at 1*s*. 2*d*. and that for T. T. buying at 1*s*. $2\frac{1}{64}$*d*. (The $\frac{1}{64}$*d*. gradation is allowed only in the case of T. T. buying) Remittance bills may be quoted at the same rate.

(3) Buyers' quotation for sight bills was fixed at 1*s*. $2\frac{1}{16}$*d*.

(4) As regards L/C time bills, the following rates to be quoted :—

| | s. | d. |
|---|---|---|
| One months' bill | 1 | $2\frac{1}{16}$ |
| Two months' bill | 1 | $2\frac{5}{32}$ |
| Three months' bill | 1 | $2\frac{7}{32}$ |
| Four months' bill | 1 | $2\frac{1}{4}$ |

(5) Buying and selling quotations for futures to be at the same rate as in the case of spot. However, a decline in the future rate was allowed as a special case for change-over operations.

It may be mentioned that while the exchange value of yen has fluctuated a number of times within narrow limits, in the open market, the Yokohama Specie Bank has steadfastly maintained its fixed rate of 1*s.* 2*d.* flat on London throughout the period.

3. The Finance Ministry's Ordinance No. 7 of 1933 based on the Foreign Exchange Control Law at present contains about 40 Articles. A few important provisions of this Ordinance are given below :—

(1) Remittances of dividends on stocks and other business profits to foreign countries are placed under the permit system.

(2) Remittances of money in execution of duties under laws within the country and abroad are placed under the permit system.

(3) Permission of the Government is required for remittances of money for the acquisition and use of foreign patents and other industrial rights. No permission is required, however, for remittances of money for the registration of patents and other industrial rights in foreign countries.

(4) Permission from the Minister of Finance is required for carrying travellers' letter of credit or cheques covering travelling expenses of a person intending to travel in foreign countries or for remittance to those who are travelling or residing in foreign countries if the amounts involved exceed the limit of Yen 1,000 a year.

(5) Permission is also required in the following cases amongst others :—

(*a*) when a traveller wishes to carry outside the Japanese territories Japanese currency or foreign currency exceeding the equivalent of Yen 1,000 as travelling expenses, (*b*) when a per[illegible] to a foreign country of [illegible] year, (*c*) exportation [illegible] articles principally composed of gold, (*d*) purchase against Japanese currency as a counter-value, of foreign currency, foreign exchange, or yen exchange on localities where Japanese currency is legal tender, (*e*) sale of foreign exchange against Japanese currency as a counter-value to parties other than foreign exchange banks or with the object of offsetting exchange purchased, (*f*) sale of yen exchange having the character of foreign exchange, against foreign currency as a counter-value, (*g*) the purchase of yen

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exchange having the character of foreign exchange as counter-value, against foreign currency with the object of offsetting exchange sold and (*b*) transmission or carrying to foreign countries of any kind of currency, cheques or drafts and making remittances to foreign countries.

(6) Permission from the Minister of Finance shall be required for shipments abroad unaccompanied by exchange bills. Export shipments shall be *paid for* with assets or credit within this country.

(7) Exporters of merchandise shall be required to submit reports regarding their shipments, stating whether the shipments are accompanied by exchange bills or not.

(8) Foreign exchange banks are enjoined to submit reports to the authorities, as to the legality of their client's transactions in *connection with foreign exchange and letters of credit.*

4. The Ordinance No. 1 of 1937 contains twelve articles and embodies, in addition, all the essential provisions of Ordinance No. 7 of 1933. It decrees, *inter alia*, that all foreign exchange contracts for financing imports are subject to Government permit license unless the amount involved is less than Yen 100 a month (originally the amount was fixed at Yen 30,000 a month, but it was reduced to Yen 1,000 and again finally to Yen 100 a month). At the same time, the ban on export shipments without negotiation of drafts became stricter. All payments by one bank to another bank under telegraphic instructions from abroad required Government permission. With regard to foreign currency assets held abroad by Japanese nationals, Government permission is also necessary when making their disposition or hypothecation for the purpose of paying for imports. Formerly, there had been no restrictions on any of these transactions. In the case of importation of all materials which may be used in connection with munitions industries, such as pig iron, metals, steel products, petroleum, machinery, instruments, etc., the Government has however announced that permission for their exchange contracts would be unreservedly given and for certain other imports within limits calculated on the basis of past volume of importation. Briefly, the control in respect of ordinary import trade may be summarised as follows :—

Importation of a large number of goods which are regarded as coming under the category of luxury goods and of those for which substitutes are available in Japan has been totally prohibited. Importation of goods for which no substitutes are available in Japan and which are required in the interest of national welfare or of export trade may be allowed under license within limits but in each case of import transaction a trader must obtain prior sanction of the Government. Shipments of such commodities arriving without permits may be refused entry into Japan. It may be mentioned that in granting permits the Government usually examine each and every application for such permit in the light of Japan's existing position in the international balance of payments—how far a specific grant is likely to affect it adversely and to what extent it is compatible in the interest of the present circumstances of the country.

Statements illustrating the foreign exchange rates and gold and silver prices, are given below:—

*Foreign Exchange Rates and Gold and Silver Prices.*

| Year and Month | Japan on London (T T) | | | Japan on Paris (T T) | | | Japan on New York (T T) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Highest. | Lowest | Average. | Highest | Lowest | Average | Highest | Lowest | Average |
| | s. d | s. | s d | fr. | fr. | fr. | $ | $ | $ |
| 1934 | 1 2¼ | „ | „ 065 | 4·95 | 4 30 | 4 489 | 30⅝ | 28½ | 20 511 |
| 1936 | „ | „ | „ | 4 41 | 4·15 | 4 328 | 29⅝ | 27¾ | 28 570 |
| 1930 | „ | „ | „ | 6·14 | 4 33 | 4 831 | 29⅛ | 28¼ | 28 051 |
| 1937 | „ | „ | „ | 8 50 | 6 11 | 7 145 | 20⅓ | 28½ | 28 813 |
| 1937— | | | | | | | | | |
| January | „ | „ | „ | 6 12 | 6 12 | 6 120 | 28⅝ | 28⅝ | 28 625 |
| February | „ | „ | „ | 6 12 | 6 11 | 6 110 | 28⅝ | 23½ | 23 521 |
| March | „ | „ | „ | 6 20 | 6 11 | 6 176 | 28½ | 28½ | 28 500 |
| April | „ | „ | „ | 6 43 | 6 18 | 6 302 | 28⅞ | 28½ | 23 608 |
| May | „ | „ | „ | 6 42 | 6 35 | 6 382 | 28⅞ | 28¾ | 28 750 |
| June | „ | „ | „ | 6 42 | 6 40 | 6 415 | 28¾ | 28¾ | 23 750 |
| July | „ | „ | „ | 7 55 | 6 41 | 7·386 | 29 | 28¾ | 28 930 |
| August | „ | „ | „ | 7 60 | 7 55 | 7·565 | 29⅛ | 29 | 29 081 |
| September | „ | „ | „ | 8 20 | 7·60 | 7 938 | 20 | 28⅞ | 28·905 |
| October | „ | „ | „ | 8 50 | 8 20 | 8 453 | 28⅞ | 28⅞ | 28 875 |
| November | „ | „ | „ | 8 45 | 8 45 | 8·450 | 29⅛ | 28⅞ | 20·088 |
| December | „ | „ | „ | 8 45 | 8 45 | 8·450 | 29⅛ | 29⅛ | 29·125 |
| 1938— | | | | | | | | | |
| January | „ | „ | „ | 8 75 | 8 45 | 8 572 | 20⅛ | 29⅛ | 29 125 |
| February | „ | „ | „ | 8 75 | 8 70 | 8 743 | 20⅛ | 29⅛ | 29 201 |
| March | „ | „ | „ | 9 35 | 8·75 | 9 028 | 20⅛ | 28⅞ | 29 045 |

## *Foreign Exchange Rates and Gold and Silver Prices*—contd.

| Year and Month. | Japan on Hamburg (T T). | | | Japan on Bombay (T T). | | |
|---|---|---|---|---|---|---|
| | Highest. | Lowest. | Average. | Highest. | Lowest. | Average. |
| | Mk. | Mk. | Mk. | Rs. | Rs. | Rs. |
| 1934. . . | 0·81 | 0·70¼ | 0·747 | 79 | 76½ | 77·721 |
| 1935. . . | 0·72¼ | 0·68 | 0·709 | 77⅞ | 76⅞ | 77·286 |
| 1936. . . | 0·73¾ | 0·70½ | 0·716 | 77⅜ | 76⅞ | 77·182 |
| 1937. . . | 0·71¾ | 0·70¼ | 0·711 | 77 | 76⅞ | 76·975 |
| 1937— | | | | | | |
| January . | 0·70⅞ | 0·70¾ | 0·708 | 76⅞ | 76¾ | 76·826 |
| February . | 0·70¾ | 0·70⅝ | 0·706 | 76⅞ | 76⅞ | 76·875 |
| March . . | 0·70⅝ | 0·70⅜ | 0·705 | 77 | 77 | 77·000 |
| April . . | 0·71⅛ | 0·70½ | 0·706 | 77 | 77 | 77·000 |
| May . . | 0·71¼ | 0·71 | 0·711 | 77 | 77 | 77·000 |
| June . . | 0·71¼ | 0·71 | 0·711 | 77 | 77 | 77·000 |
| July . . | 0·71⅝ | 0·71⅛ | 0·713 | 77 | 77 | 77·000 |
| August . . | 0·71¾ | 0·71⅜ | 0·715 | 77 | 77 | 77·000 |
| September . | 0·71½ | 0·71⅜ | 0·714 | 77 | 77 | 77·000 |
| October . | 0·71½ | 0·71⅜ | 0·714 | 77 | 77 | 77·000 |
| November . | 0·71⅝ | 0·71½ | 0·716 | 77 | 77 | 77·000 |
| December . | 0·71⅞ | 0·71⅝ | 0·717 | 77 | 77 | 77·000 |
| 1938— | | | | | | |
| January . | 0·71¾ | 0·71⅝ | 0·717 | 77 | 77 | 77·000 |
| February . | 0·71¾ | 0·71⅝ | 0·717 | 77 | 76⅞ | 76·896 |
| March . . | 0·71¾ | 0·71½ | 0·716 | 76⅞ | 76⅞ | 76·875 |

## *Foreign Exchange Rates and Gold and Silver Prices*—contd.

| Year and Month. | New York on London (T T). | | | Gold Prices in London. | | |
|---|---|---|---|---|---|---|
| | Highest. | Lowest. | Average. | Highest. | Lowest. | Average. |
| | $ | $ | $ | s. d. | s. d. | s. d. |
| 34. . . | 5 18⅜ | 4 88 | 5 03,933 | 143 3 | 126 8 | 137 7·759 |
| 35. . . | 4 08⅝ | 4·74⅜ | 4 90,324 | 149 4 | 139 9½ | 142 1 391 |
| 36. . . | 5 07 1/16 | 4 87⅝ | 4 97,149 | 142 8½ | 137 2½ | 140 3 484 |
| 37. . . | 5 02⅝ | 4·87⅞ | 4·94,474 | 142 7½ | 139 3½ | 140 8 997 |
| 37— | | | | | | |
| January . | 4 91 7/16 | 4 89 13/16 | 4 90,812 | 142 .. | 141 5½ | 141 8 354 |
| February . | 4 90⅛ | 4 88¾ | 4 89,423 | 142 4 | 141 11 | 142 1·229 |
| March . . | 4 89⅛ | 4 87⅞ | 4·88,583 | 142 7½ | 142 2½ | 142 4 312 |
| April . . | 4 95 | 4 89 5/16 | 4 91,713 | 142 1½ | 140 3½ | 141 3 596 |
| May . . | 4 94 7/16 | 4 93 5/16 | 4 94,035 | 140 10 | 140 5½ | 140 7·291 |
| June . . | 4 94 7/16 | 4 92 5/16 | 4 93,620 | 140 9 | 140 3½ | 140 6·692 |
| July . . | 4 98⅛ | 4 94 7/16 | 4 96,619 | 140 6½ | 139 6½ | 140 0 314 |
| August . . | 4 99 5/16 | 4 96⅜ | 4 98,341 | 140 1 | 139 3½ | 139 6 380 |
| September . | 4 96 13/16 | 4 94 13/16 | 4 95,367 | 140 7½ | 140 ½ | 140 4 269 |
| October . | 4 96 7/16 | 4 95½ | 4 95,673 | 140 8 | 140 4 | 140 6 250 |
| November . | 5 02⅜ | 4 96½ | 4 99,676 | 140 7 | 139 10 | 140 1 884 |
| December . | 5 00⅜ | 4 98⅞ | 4 99,730 | 140 ½ | 139 6 | 139 9 400 |
| 38— | | | | | | |
| January . | 5 01 5/16 | 4 99 7/16 | 5 00,052 | 139 9½ | 139 5 | 139 7 500 |
| February . | 5·03 13/16 | 5 00⅜ | 5 01,818 | 139 10½ | 139 7 | 139 9 166 |
| March . . | 5·02 | 4 94 13/16 | 4 98,460 | 141 ½ | 139 6½ | 139 11 259 |

## *Foreign Exchange Rates and Gold and Silver Prices*—concld.

| Year and Month. | Silver Prices in London (Spot). | | | Silver Prices in New York (Official). | | |
|---|---|---|---|---|---|---|
| | Highest. | Lowest. | Average. | Highest. | Lowest. | Average. |
| | d. | d. | d. | c. | c. | c. |
| 1934 . . . | 25¼ | 18 3/16 | 21·228 | 55¾ | 41¾ | 47·972 |
| 1935 . . . | 36¼ | 20⅞ | 28·951 | 81 | 49¾ | 64·273 |
| 1936 . . . | 22 13/16 | 19 | 20·072 | 49¾ | 44¾ | 45·087 |
| 1937 . . . | 21⅛ | 18 3/16 | 20·066 | 46¾ | 44¾ | 44·633 |
| 1937— | | | | | | |
| January . | 21 3/16 | 20¼ | 20·734 | 45⅛ | 44¾ | 44·912 |
| February . | 20 9/16 | 19 15/16 | 20·083 | 44¾ | 44¾ | 44·750 |
| March . . | 21⅛ | 20 3/16 | 20·677 | 45⅛ | 44¾ | 45·136 |
| April . . | 21½ | 20 3/16 | 20·740 | 46¾ | 44¾ | 45·460 |
| May . . | 20 7/16 | 20¼ | 20·346 | 45¼ | 44⅞ | 45·025 |
| June . . | 20⅜ | 19¾ | 20·021 | 45 | 44¾ | 44·818 |
| July . . | 20 3/16 | 19 13/16 | 19·982 | 44¾ | 44¾ | 44·750 |
| August . . | 20 | 19 9/16 | 19·847 | 44¾ | 44¾ | 44·750 |
| September . | 20 | 19¾ | 19·889 | 44¾ | 44¾ | 44·750 |
| October . | 20 1/16 | 19 13/16 | 19·942 | 44¾ | 44¾ | 44·750 |
| November . | 19 15/16 | 19 9/16 | 19·706 | 44¾ | 44¾ | 44·750 |
| December . | 19 11/16 | 18 3/16 | 18·835 | 44¾ | 44¾ | 44·750 |
| 1938— | | | | | | |
| January . | 20⅜ | 19¼ | 19·895 | 44¾ | 44¾ | 44·750 |
| February . | 20⅜ | 19 15/16 | 20·158 | 44¾ | 44¾ | 44·750 |
| March . . | 20 5/16 | 18⅜ | 20·087 | 44¾ | 42¾ | 44·445 |

*Foreign Exchange Rates in the open Market.*

| Year and Month | London (Parity 2s. 0·582d. per Yen 1·00). | | | New York (Parity $84·396 per Yen 100·00). | | |
|---|---|---|---|---|---|---|
| | High. | Low. | Average. | High. | Low. | Average. |
| | s. d. | s. d. | s. d. | $ | $ | $ |
| 1934 | 1 $2\frac{3}{8}$ | 1 $1\frac{3}{4}$ | 1 2·143 | $30\frac{1}{4}$ | $28\frac{3}{8}$ | 29·640 |
| 1935 | 1 $2\frac{1}{16}$ | 1 $1\frac{15}{16}$ | 1 2·061 | $29\frac{1}{2}$ | $27\frac{13}{16}$ | 28·643 |
| 1936 | 1 $2\frac{1}{16}$ | 1 $1\frac{7}{8}$ | 1 1·911 | $29\frac{5}{16}$ | $28\frac{1}{4}$ | 28·961 |
| 1937 | 1 2 | 1 $1\frac{27}{32}$ | 1 1·972 | $29\frac{5}{16}$ | $28\frac{1}{16}$ | 28·724 |
| 1936 December | 1 2 | 1 $1\frac{31}{32}$ | 1 1·231 | $28\frac{5}{16}$ | $28\frac{1}{4}$ | 28·493 |
| 1937— | | | | | | |
| January | 1 2 | 1 $1\frac{31}{32}$ | 1 1·895 | $28\frac{5}{8}$ | $28\frac{5}{16}$ | 28·486 |
| February | 1 2 | 1 $1\frac{15}{16}$ | 1 1·979 | $28\frac{1}{2}$ | $28\frac{7}{16}$ | 28·469 |
| March | 1 2 | 1 2 | 1 2 | $28\frac{3}{4}$ | $28\frac{3}{8}$ | 28·456 |
| April | 1 2 | 1 $1\frac{15}{16}$ | 1 1·971 | $28\frac{13}{16}$ | $28\frac{7}{16}$ | 28·582 |
| May | 1 $1\frac{31}{32}$ | 1 $1\frac{31}{32}$ | 1 1·969 | $28\frac{15}{16}$ | $28\frac{9}{16}$ | 28·743 |
| June | 1 $1\frac{31}{32}$ | 1 $1\frac{15}{16}$ | 1 1·954 | $28\frac{11}{16}$ | $28\frac{1}{2}$ | 28·663 |
| July | 1 $1\frac{15}{16}$ | 1 $1\frac{15}{16}$ | 1 1·938 | $28\frac{7}{8}$ | $28\frac{5}{8}$ | 28·773 |
| August | 1 2 | 1 $1\frac{15}{16}$ | 1 1·960 | $29\frac{1}{16}$ | $28\frac{11}{16}$ | 28·971 |
| September | 1 2 | 1 2 | 1 2 | $28\frac{15}{16}$ | $28\frac{5}{8}$ | 28·758 |
| October | 1 2 | 1 2 | 1 2 | $28\frac{13}{16}$ | $28\frac{11}{16}$ | 28·731 |
| November | 1 2 | 1 2 | 1 2 | $29\frac{3}{16}$ | $28\frac{13}{16}$ | 29·007 |
| December* | 1 2 | 1 2 | 1 2 | $29\frac{3}{16}$ | 29 | 29·068 |
| 1938— | | | | | | |
| January | 1 2 | 1 2 | 1 2 | $29\frac{1}{16}$ | $28\frac{13}{16}$ | 28·962 |
| February | 1 2 | 1 2 | 1 2 | 29 | $28\frac{13}{16}$ | 28·951 |
| March | 1 2 | 1 2 | 1 2 | 29 | $28\frac{5}{8}$ | 28·810 |

*Tokyo Market Prices of Gold and Silver.*

| Year and Month. | Pure Gold (per momme). | | | Pure Silver (per k.g.). | | |
|---|---|---|---|---|---|---|
| | High. | Low. | Average. | High. | Low. | Average. |
| | Yen | Yen | Yen | Yen | Yen | Yen |
| 1934 . . | 13·30 | 11·00 | 12·25 | 61·149 | 43·448 | 50·703 |
| 1935 . . | 12·00 | 11·60 | 11·84 | 86·981 | 59·087 | 70·278 |
| 1936 . . | 13·00 | 11·80 | 12·02 | 47·800 | 47·208 | 47·522 |
| 1937 . . | 14·40 | 14·30 | 14·06 | 51·985 | 43·673 | 48·485 |
| 1937— | | | | | | |
| January . | 14·20 | 13·30 | 13·60 | 51·516 | 48·908 | 49·911 |
| February . | 14·20 | 13·70 | 13·95 | 49·017 | 48·109 | 48·522 |
| March . . | 14·00 | 13·50 | 13·74 | 50·776 | 48·358 | 49·830 |
| April . . | 13·50 | 13·30 | 13·41 | 51·985 | 49·017 | 50·397 |
| May . . | 14·20 | 13·40 | 14·05 | 49·773 | 49·168 | 49·442 |
| June . . | 14·20 | 14·20 | 14·20 | 49·471 | 47·860 | 48·613 |
| July . . | 14·20 | 14·20 | 14·20 | 49·072 | 48·011 | 48·533 |
| August . . | 14·30 | 14·20 | 14·27 | 48·617 | 46·393 | 48·117 |
| September . | 14·20 | 14·20 | 14·20 | 48·207 | 47·451 | 47·895 |
| October . | 14·40 | 14·20 | 14·31 | 48·260 | 47·655 | 48·066 |
| November . | 14·40 | 14·40 | 14·40 | 48·109 | 47·201 | 47·540 |
| December . | 14·30 | 14·30 | 14·30 | 47·358 | 43·673 | 44·962 |
| 1938— | | | | | | |
| January . | 14·40 | 14·30 | 14·32 | 48·714 | 46·445 | 47·566 |
| February . | 14·30 | 14·30 | 14·30 | 48·260 | 47·504 | 47·999 |
| March . . | 14·30 | 14·30 | 14·30 | 48·823 | 43·873 | 47·984 |

# CHAPTER VI.

## COMMODITIES.

It is proposed in this Chapter to deal with the commodities which figure prominently in Indo-Japanese trade.

### I.—Import Commodities.

#### (1) RAW COTTON.

Raw Cotton usually constitutes more than one-fourth of Japan's total purchase of foreign goods, of which about 40 per cent is supplied by India. The commodity represents about 20 per cent of India's total exports and more than 80 per cent of her sales to Japan. During the three years ending 1937-38, more than 53 per cent of India's total exports of raw cotton has come to Japan.

| — | Grand total of all imports. | Share of total Indian Imports in the Grand total | Share of total imports of Raw Cotton in Grand total. | Share of Indian Raw Cotton in total Imports of Raw Cotton. | Share of Indian Raw Cotton in total Imports from India. |
|---|---|---|---|---|---|
| | | Per cent. | Per cent | Per cent. | Per cent. |
| 1935 . . . | 2,472 | 12·4 | 28·3 | 36·3 | 84·6 |
| 1936 . . . | 2,764 | 13·5 | 30·7 | 37·1 | 84·7 |
| 1937 . . . | 3,783 | 11·9 | 22·5 | 42·8 | 81·1 |

The following statements show Japan's purchase of Raw Cotton from different sources :—

A.

(Unit 100 kin)

| — | American. | Indian. | Chinese. |
|---|---|---|---|
| 1936. | | | |
| 1st half year . . . . . . . | 3,508,439 | 4,034,566 | 173,062 |
| 2nd half year . . . . . . . | 2,420,307 | 2,692,378 | 290,882 |
| 1937. | | | |
| 1st half year . . . . . . . | 3,525,436 | 5,145,842 | 232,736 |
| 2nd half year . . . . . . . | 698,523 | 1,870,396 | 63,093 |

The proportion of importation of the different varieties of Indian Cotton are: Akola 40 per cent, Kandesh 30 per cent, Bengal, Dolera and Broach together 30 per cent.

B.

| Raw Cotton Total. | Value (in 1,000 Yen) (Quantity in 1,000 piculs). | 1935. 714,262 (12,284) piculs. | 1936. 850,416 (15,211) piculs. | 1937. 851,163 (13,765) piculs. | 1938 1st Quarter. 73,809 (1,495) piculs. |
|---|---|---|---|---|---|
| Share of— British India | .. | 259,038 (5,211) | 315,061 (6,727) | 363,635 (7,016) | 22,067 (552) |
| U. S. A. | .. | 371,952 (5,758) | 372,415 (5,929) | 306,388 (4,224) | 29,780 (558) |
| Egypt | .. | 43,000 (537) | 36,415 (445) | 58,759 (670) | 5,919 (82) |
| China | .. | 20,705 (427) | 22,778 (464) | 23,610 (401) | 11,062 (232) |
| East Africa | .. | 677 (10) | 27,500 (397) | 21,529 (276) | .. |
| Turkey | .. | 646 (13) | 2,439 (49) | 291 (5) | 284 (8) |
| Dutch Indies | .. | 968 (39) | 701 (37) | 1,173 (66) | 29 (2) |

[*Quantity in Piculs (1,000)*] *Importations of Raw Cotton—from January 1937 to March 1938.*

(By months.)

| — | Indian Cotton. | American Cotton. | Chinese Cotton. | Egyptian Cotton. | Others. | Total. |
|---|---|---|---|---|---|---|
| 1937. | | | | | | |
| January | 831 | 847 | 77 | 123 | 105 | 1,984 |
| February | 838 | 283 | 79 | 119 | 108 | 1,427 |
| March | 855 | 837 | 56 | 146 | 78 | 1,971 |
| April | 624 | 814 | 50 | 128 | 116 | 1,731 |
| May | 879 | 539 | 32 | 40 | 119 | 1,609 |
| June | 780 | 157 | 37 | 21 | 175 | 1,170 |
| July | 644 | 244 | 33 | 9 | 139 | 1,069 |
| August | 613 | 151 | 6 | 10 | 281 | 1,060 |
| September | 243 | 7 | 8 | 2 | 227 | 488 |
| October | 21 | 68 | 8 | 3 | 124 | 224 |
| November | 87 | 144 | 3 | 31 | 47 | 312 |
| December | 28 | 95 | 2 | 25 | 128 | 277 |
| 1938. | | | | | | |
| January | 74 | 65 | 54 | 10 | 65 | 268 |
| February | 261 | 246 | 135 | 58 | 44 | 1,043 |
| March | 446 | 486 | 137 | 342 | 33 | 1,143 |

The tendency which developed after the Great War to produce weaves [illegible] in the course of Japan's [illegible] Previously the Japanese [illegible] goods woven from coarse [illegible] more in request than the American variety. This is no longer the case. In the ten-year period 1921-32 *India* supplied 50 per cent of Japan's annual cotton consumption, as compared with 40 per cent supplied by the United States. From 1931 to 1936 the proportion was reversed. In 1937, however, imports from India and Egypt made great progress at the expense of the American variety in anticipation of Government restrictions on imports as the importers of Indian and Egyptian cotton were better posted to take advantage of the situation than their American competitors. The large purchase of the Indian product was also due to its comparative cheapness during the period.

Mixing of cotton is a speciality of the Japanese mills. Chinese cotton is very much liked for mixing purposes on account of its white colour and strength. Each mill has its own private formula for mixing, and variations are made according to the price at which the yarn is to be sold or the purpose for which it is required. Mixture of raw cotton to be employed in manufacturing textile goods for exports has been fixed by the Japan Cotton Spinners Association as follows :—

*The standard of mixing cotton.*

| | kin. | |
|---|---|---|
| 10s or less counts | 359 | Akola 100 per cent. |
| 11s to 13s | 357 | Yohtmal, 100 per cent. |
| 14s to 17s | 355 | Akola, 80 per cent., strict middling 20 per cent. |
| 18s to 23s | 355 | Akola, 70 per cent, strict middling 30 per cent. |
| 24s to 33s | 340 | Strict middling 15/16, 55 per cent., Strict middling 45 per cent. |
| 34s to 43s | 338 | Californian 1 3/32, 55 per cent., Strict middling, 45 per cent. |
| 44s to 46s | 338 | Californian 1 3/32, 60 per cent., Strict middling, 15/16, 40 per cent. |
| 47s to 69s | 360 | "Upper" 100 per cent (non-gassed). |
| 70s to 89s | 420 | Sakellaridis, 100 per cent. |
| | | Malaad, 100 per cent. |
| | | Pizano, 100 per cent. |
| 90s and up | 440 | Best Sakellaridis. |

Most of the raw cotton is supplied to the mills by large importing houses. Competition between the cotton suppliers is so keen that the large combines of mills have many times been able to buy raw cotton below cost of replacement, and before the introduction of import control it was by no means rare to find Osaka spot prices actually fall below quotations in Bombay or the United States.

At the end of the Chapter on Commodity Prices, a statement showing spot quotations for the various varieties of Indian, American and Chinese cotton during the period covered by this Report has been given. The following table shows the price parity of the Indian with the American cotton in the Osaka Market :—

*Osaka Parity between Fine Akola (Indian) and American strict middling $\frac{7}{8}$".*

*Average price percentage Akola to Strict Middling.*

| | Spot. | Forward. |
|---|---|---|
| August, 1937 | 74·5 | 74·3 |
| September, 1937 | 82·1 | 82·3 |
| October, 1937 | 76·5 | 76·7 |
| November, 1937 | 77·1 | 78·1 |

Quotations after November are only on basis of "Prompt Shipment", *i.e.*, shipment in current month.

| | |
|---|---|
| December, 1937 | 79·6 |
| January, 1938 | 81·1 |
| February, 1938 | 78·6 |
| March, 1938 | 74·0 |

Mills in Japan neither import raw cotton themselves nor export their manufactures. They buy cotton from the local cotton merchants (who are mostly importers) by contracts, and sell their manufactured goods also under contracts. Their selling prices generally amply cover the cost of raw materials and other expenses. The speculative risk as mentioned above is borne by the cotton merchants who usually cover such risks by hedging in Sampin Exchange. When raw cotton merchants purchase cotton from abroad, they immediately dispose of it either to the mills or in the Exchange. Similarly, in selling cotton yarn and textiles to foreign countries for future shipments, the merchants immediately make either buying contracts with the mills or buy in the Exchange. The middlemen in this manner cover their sales or purchases abroad by subsequently entering into hedge contracts in the Exchange. The mills take comparatively little risk, and being in the position of monopolist both as producers and consumers are able to dictate to the merchants.

With the introduction of the Government control of imports since last autumn, a syndicate representing the Japan Cotton Spinners Association and the Raw Cotton Traders Association has been formed with the express purpose of conducting import transactions. According to an agreed arrangement, the Syndicate undertakes to buy raw cotton up to 60 per cent of the total import authorized by the Government, making a quota allotment to its members, numbering about 50, according to their respective import volumes in the past, the remaining 40 per cent being subjected to free commitments (*i.e.*, purchases according to commission system) between cotton mills and the cotton merchants. The system of cotton import and sale by the cotton merchants at their own risk has been replaced by their sales of imported cotton to spinners at the import price *plus* a commission of a certain percentage.

All cotton is delivered to the mills without any security. Payment is made in the following two ways for Indian cotton :—

(a) Cash 60 days after arrival of steamer, but invoices are frequently paid in mere promissory notes. Good concerns pay cash under discount.

The mills are under no obligation to take delivery until 60 days have elapsed and the goods are stored and insured at the expense of the merchant-importer, even if the mill has agreed to accept tender.

(b) Cash 60 days from date of arrival of steamer (or promissory notes as above), but the mill must take delivery of the cotton within three weeks after landing in Japan. If delivery is taken later, then the insurance and storage charges are charged to the account of the mill.

The merchant usually grants $\frac{3}{4}$ to 1 per cent discount if the mill accepts terms under (b).

For American cotton, payment is made within 30 days after the arrival of the steamer either in cash or in promissory notes.

*Charges on imports of cotton.*

(1) Since April 1936 all imports of raw cotton have been charged a fee of 11 sen per bale to subsidize research work for production of raw cotton in Manchukuo. A part of this fee is refunded to the importers at the end of the year.

(2) A control fee of 10 per cent of the value was introduced by Government in January 1938 with the object of subsidizing exports. The fee is recovered from the mills.

*Cotton Control.*

Although the Exchange Control Law of January 8, 1937 (Ordinance of the Finance Ministry, No. 1 of 1937) put importation of raw cotton under a licence system, that is, Government permission was required for exchange transactions for the settlement of accounts covering its importation, the licences when applied for by importers were generally issued freely till the China Incident led the Government to impose stricter control of imports to relieve the adverse balance of international payments through the promulgation of the Law Relating to the Temporary Regulation of Exports and Imports in the last autumn. Since then a system of intensive control in all the branches of the industry has been introduced. The official control policy in respect of the cotton industry is distributed under three main heads :—

(1) Production Control,

(2) Distribution Control, and

(3) Price Control.

These are briefly analysed below :—

(1) *Production Control.*—Control over production in the cotton industry divided into three classes :—

(*a*) import restrictions on raw cotton,

(*b*) control over funds for new promotion and extension, and

(*c*) Compulsory admixture of staple fibre in cotton yarns for domestic use.

(*a*) *Import restrictions on raw cotton.*—The instruments used in this direction were, as mentioned above, first the Foreign Exchange Control Law, and secondly, and more specifically, the Law Relating to the Temporary Regulation of Exports and Imports under which no imports of raw cotton are allowed unless covered by the grant of exchange funds. The funds are allotted to the raw cotton purchasing Syndicate who distribute them and issue licences to the importers. The following statement shows the foreign exchanges permitted by the Government for covering importation of raw cotton since September 1937 when the Government first introduced the system.

*Foreign Exchange Allotments to cover Importation of Raw Cotton and Quantities and Values of Raw Cottons Imported, from September 1937, to March 1938.*

| Year and Month. | Amount permitted. | | Indian Cotton Imported. | American Cotton imported. | Chinese Cotton imported. | Egyptian Cotton imported. | Others. | Total. |
|---|---|---|---|---|---|---|---|---|
| 1937. | Yen. | | | | | | | |
| Sept. | 50,000,000 (Sept.–Dec.) | Pcl. | 424,908 | 56,929 | 5,526 | 4,629 | 211,024 | 703,016 |
| | | Yen | 21,965,566 | 3,888,956 | 320,418 | 432,936 | 13,672,402 | 40,280,278 |
| Oct. | | Pcl. | 62,472 | 45,134 | 8,654 | 1,223 | 219,554 | 337,037 |
| | | Yen | 2,871,251 | 3,261,517 | 481,579 | 127,696 | 15,063,314 | 21,805,357 |
| Nov. | | Pcl. | 45,600 | 130,803 | 4,836 | 14,827 | 52,919 | 248,985 |
| | | Yen | 1,630,104 | 8,761,965 | 288,343 | 1,197,143 | 3,678,293 | 15,555,848 |
| Dec. | | Pcl. | 63,870 | 79,020 | 2,003 | 33,709 | 87,583 | 266,185 |
| | | Yen | 2,461,246 | 4,372,336 | 116,043 | 2,686,568 | 5,710,776 | 15,346,969 |
| 1938. | | | | | | | | |
| Jan. | 15,000,000 | Pcl. | 92,590 | 96,672 | 27,497 | 15,665 | 28,804 | 261,228 |
| | | Yen | 3,504,624 | 5,454,498 | 1,495,313 | 1,246,163 | 1,703,579 | 13,404,177 |
| Feb. | 35,000,000 | Pcl. | 82,256 | 200,489 | 80,039 | 23,748 | 17,378 | 403,910 |
| | | Yen | 3,296,114 | 10,444,552 | 4,156,797 | 1,667,674 | 1,104,686 | 20,669,823 |
| March | 35,000,000 | Pcl. | 377,639 | 259,771 | 124,880 | 42,752 | 24,892 | 829,934 |
| | | Yen | 15,266,097 | 13,881,133 | 6,309,469 | 3,004,742 | 1,273,974 | 39,735,415 |

Against the grant of foreign exchanges and importation of raw cotton from various sources specified above, the following allocation was made in order to fulfil contracts for sale of raw cotton :—

*Contracted bales between Mills and Syndicate.*

| | September 1937 to March 1938. Bales. |
|---|---|
| Indian Cotton— | |
| Oldest crop | 389 |
| Old crop | 68,164 |
| New crop | 385,484 |
| American Cotton— | |
| Oldest crop | 807 |
| Old crop | 74,314 |
| New crop | 394,504 |
| Others— | |
| Oldest crop | 210·5 |
| Old crop | 21,109 |
| New crop | 291,080 |
| TOTAL | 1,226,061·5 |

The following statistics indicate supply and demand of raw cotton in recent years :—

*Supply and Demand of raw cotton (in 1,000 piculs).*

| — | Import of foreign cotton. | Import of Korean cotton | Consumption |
|---|---|---|---|
| 1934 | 12,535·0 | 147·4 | 12,[illegible]76·2 |
| 1935 | 12,287·5 | 225·2 | 12,530·3 |
| 1936— | | | |
| First half | 8,402·9 | 184·2 | 6,286·2 |
| Second half | 6,773·3 | 18·2 | 6,384·1 |
| 1937— | | | |
| First half | 10,025·9 | 67·5 | 6,955·9 |
| Second half | 3,679·2 | 48·5 | 5,[illegible]37·2 |

On the basis of an import of 1·05 million piculs, the monthly production of cotton yarns attains about 300,000 bales, a decrease of 10 per cent compared with the average production of 330,000 bales in 1937. The Japan Cotton Spinners' Association accordingly increased the rate of production curtailment from 25 per cent to 32·4 per cent in October and further to 41·9 per cent in December. The Association has also adopted a raw cotton consumption quota and fixed the monthly production of cotton yarn since December 1937.

*Production quota of Cotton Yarn.*

| — | Production of cotton yarn (1,000 bales). | Consumption of raw-cotton (1,000 piculs). |
|---|---|---|
| 1937, December | 275·0 | 962 |
| 1938, January | 270·0 | 945 |
| 1938, February | 257·5 | 901 |
| 1938, March | 257·5 | 901 |

The following statistics indicate the position of supply and demand of cotton yarn in Japan in recent years :—

*Supply and Demand of Cotton Yarn (in 1,000 bales).*

| — | Supply. | | | Demand for exports. | | | | | | Domestic Consumption. |
|---|---|---|---|---|---|---|---|---|---|---|
| | Production. | Import. | Total. | Cotton Yarn. | Cotton Tissues. | Knitted goods. | Cotton towels and sheeting. | Cotton thread, laced thread and fishing nets. | Total excluding miscellaneous cotton goods. | |
| 1933 | 3,099·5 | 58·9 | 3,158·4 | 48·1 | 1,306·4 | 161·8 | 28·0 | 17·6 | 1,561·9 | 1,591·1 |
| 1934 | 3,472·4 | 53·6 | 3,526·0 | 64·5 | 1,605·1 | 171·8 | 21·1 | 23·2 | 1,885·8 | 1,640·3 |
| 1935 | 3,560·8 | 17·4 | 3,578·3 | 96·0 | 1,697·5 | 173·7 | 21·8 | 21·8 | 2,012·8 | 1,565·4 |
| 1936 | 3,651·0 | 14·1 | 3,665·1 | 110·8 | 1,691·2 | 170·9 | 25·4 | 19·2 | 2,017·5 | 1,647·6 |
| 1937 | 3,966·1 | 10·9 | 3,977·0 | 128·7 | 1,651·1 | 161·7 | 26·2 | 27·5 | 1,995·2 | 1,981·8 |
| 1937 January | 326·1 | 1·1 | 327·2 | 6·6 | 121·2 | 8·8 | 1·6 | 1·1 | 139·3 | 187·9 |
| February | 329·8 | 0·9 | 330·7 | 7·7 | 126·7 | 11·7 | 1·8 | 1·7 | 149·6 | 181·1 |
| March | 325·9 | 1·1 | 327·0 | 9·7 | 147·7 | 15·4 | 1·9 | 2·1 | 176·8 | 150·2 |
| April | 337·8 | 0·5 | 338·3 | 8·3 | 119·7 | 13·5 | 1·8 | 1·9 | 145·2 | 193·1 |
| May | 334·9 | 1·6 | 336·5 | 11·8 | 139·5 | 14·4 | 2·3 | 2·1 | 170·1 | 166·4 |
| June | 341·5 | 1·6 | 343·1 | 10·5 | 131·9 | 14·7 | 2·2 | 2·4 | 161·7 | 181·4 |
| July | 338·4 | 1·8 | 340·2 | 10·0 | 134·5 | 14·0 | 2·5 | 2·3 | 163·3 | 176·9 |
| August | 339·7 | 0·7 | 340·4 | 8·5 | 124·3 | 14·7 | 1·8 | 1·8 | 151·1 | 189·3 |
| September | 350·0 | 0·5 | 350·5 | 13·4 | 158·6 | 14·8 | 3·1 | 1·9 | 191·8 | 158·7 |
| October | 336·9 | 0·4 | 337·3 | 14·7 | 153·6 | 13·6 | 2·5 | 2·4 | 186·8 | 150·5 |
| November | 330·3 | 0·5 | 330·8 | 12·7 | 135·1 | 12·3 | 2·4 | 2·7 | 165·2 | 165·6 |
| December | 274·8 | 0·2 | 275·0 | 14·7 | 158·2 | 13·8 | 2·4 | 5·0 | 194·1 | 80·9 |

(*b*) *Control of funds for New Promotion and Extension.*

The cotton industry in Japan has made *extraordinary progress during* recent years specially during 1937. The amounts spent in new promotion and extension involved an increase of capital of 103·8 million Yen as against 72·0 million Yen in 1936. The spindle capacity of member companies affiliated to the Japan Cotton Spinners' Association increased to 12,116,452 in November 1937.

| | Spindle capacity at the end of the year. | Plans for new promotion and extension. |
|---|---|---|
| | | (Yen 1,000) |
| 1929 | 6,648,874 | 43,966 |
| 1931 | 7,337,590 | 17,171 |
| 1935 | 10,330,452 | 13,550 |
| 1936 | 11,975,584 | 72,000 |
| 1937 | 12,116,452 (November) | 103,750 |

The China Incident failed to arrest investment in the cotton mill industry. The Government however put a stop to this tendency through the promulgation of the Temporary Funds Adjustment Law enacted in September 1937. This was re-enforced by an issue of a Ministerial Order enforced from February 1938 under the provisions of the Law Concerning Temporary Measures for Imports and Exports. The order stipulates that a Prefectural Governor's permission must be obtained for installing and expanding equipment of factories manufacturing yarns, textiles and knitted goods made of cotton, wool, *artificial silk* or staple fibre. The equipment includes machines to be employed in almost every stage of manufacturing.

(*c*) *Compulsory admixture of Staple Fibre.*

In view of the import restrictions on raw cotton and to secure economy in the consumption of raw cotton, cotton yarn spinners and manufacturers of textiles are compulsorily required under a Ministerial Ordinance issued on December 27, 1937 (but enforced from February 2, 1938), to mix staple fibre and other non-woollen or non-cotton fibres with cotton at the rate of over 30 per cent in weight of cotton yarn, cotton tissues and knitted goods excluding goods destined for export or used as materials for export goods.

(2) *Control over Distribution.*—The total supply of raw cotton, including imports in 1937, aggregated 3,977,000 bales and the demand for exports of cotton yarn, cotton tissues, knitted goods, towels, sheeting, cotton thread, laced thread and fishing nets totalled 1,995,000 bales excluding miscellaneous articles of which the quantity in terms of cotton yarn is not available. *According to an estimate of the Japan Cotton Spinners' Association, exports* of miscellaneous cotton goods in 1936 corresponded to 360,000 bales in terms of cotton yarn. Adding this figure to the above, the total demand for cotton yarn to be exported in various forms in 1937 reached 2,355,000 bales, the remaining 1,622,000 bales being left for home consumption. The average distribution of cotton yarn per month can thus be estimated at about 200,000 bales for export and 130,000 bales for domestic consumption.

Compared with this figure, the present supply of cotton yarn for domestic use is smaller by over 50,000 bales.

In view of the increasing shortage in the supply of cotton yarn, the Ministry of Commerce and Industry decided on January 18, 1938 to introduce official control over distribution of cotton yarn. The main features of the distribution method are as follows :—

(i) Joint establishment of a *Commission for the control of cotton yarn* by the Ministry of Commerce and Industry, the Raw Cotton Import Control Association, the Japan Cotton Spinners' Association, the various commercial associations of cotton yarn traders, the Japan Federation of Cotton Manufacturers' Associations, the Japan Federation of Knitted Goods Manufacturers' Associations, the Export Cotton Yarn and Tissues Association, the Federation of Cotton Yarn and Tissues Exporters' Associations.

(ii) The Commission shall formulate a cotton yarn production plan for three months in advance covering export and domestic requirements according to varieties and counts.

(iii) Control over distribution of cotton yarn for domestic use to be enforced from March 1, 1938. In accordance with this plan, the distribution control Commission fixed the production of cotton yarn for March and April at 257,500 bales per month, including 52,500 bales for domestic requirements.

Through an Ordinance enforced from March 1, 1938, the Minister of Commerce and Industry directed that manufacturers and finishing-up traders of articles made from cotton yarn (including the admixture of cotton and staple fibre) were debarred from using cotton yarn in excess of a quota that might be determined by a Prefectural Governor or a trade body nominated by the Minister, except in the case of goods to be exported (excluding Manchukuo and Kwantung Province). Quotas must be sanctioned by the said Minister, and vouchers were required to be issued to consumers of cotton yarn on the basis of which purchases could be effected within the limit of the quotas. Producers and Consumers were enjoined to maintain records and report to the Prefectural Governor or the trade body as to sales and requirements.

In order to safeguard the export trade, the Ministry of Commerce and Industry published on February 10, 1938, a revised Ordinance relating to the Compulsory Admixture of Staple Fibres, which prohibited the sale of export broad cotton cloth in Japan after 1st April by wholesale dealers and after July 1, by retail dealers.

(3) *Price Control.*—Some description of the Japanese Government's policy regarding the control of prices of cotton and cotton yarn has been given in the Chapters on Commodity Prices and Legislation. The position is recapitulated in detail here.

In order to safeguard the interests of the consumers against any undue rise in prices resulting from the import restriction of raw cotton, the Ministry of Commerce and Industry in consultation and co-operation with the commercial and industrial bodies have adopted a maximum price system for raw cotton, yarns and tissues.

Maximum prices of raw cotton and yarns have been fixed since October 23, 1937. Maximum price means the highest price at which the producers may supply the commodity concerned to the market. As regards yarn, the maximum standard prices are published every Saturday through the Japan Cotton Spinners' Association. A sliding scale method is adopted so that daily fluctuations in New York quotations of raw cotton may be automatically reflected in the maximum price of each day. In fixing the maximum prices of yarns, the Government selected the following brands as standard commodities :—

Oriental Cotton Spinning Company's Goldfish brand 20's twist and Red 3 brand 20's twist and Fuji Gas Cotton Spinning Company's Red Fuji brand 20's twist. All other brands of No. 20 count and those of Nos. 21 and 22 are classified according to a grading list to be specially prepared.

As regards the maximum price of raw cotton, it is also published through the Japan Raw Cotton Merchants' Association every Saturday. The basic quotation is the price per picul of American strict middling ⅞ inch-staple *ex*-Kobe warehouse. The price is calculated by adding unloading and warehousing charges and other costs to a c.i.f. price that is quoted at the figure of the New York closing quotation *plus* 10 per cent.

In respect of yarns mixed with staple fibre, maximum prices were also fixed and published on January 27, 1938 for January-March delivery, based on the closing price of New York cotton and the domestic price of staple fibre. A sliding scale method has been adopted, the main features being the same as in the case of cotton yarn.

Maximum prices in the case of cotton tissues have been adopted for jeans and striped tissues since January 1938. Prices are declared every Saturday through the Japan Federation of Cotton Manufacturers' Associations. A sliding scale is adopted, prices being charged in accordance with the fluctuation of cotton yarn quotations. Later on, the maximum wholesale and retail prices of imitation Nankeen were similarly fixed by the textile wholesale dealers' associations under the direction of the Government.

*Contracts of 1937 in respect of Indian Cotton.*

Since the introduction of the system of licensing imports of raw cotton the practice had been to apply first to the Department of Commerce for a permit to import. After this had been obtained, another application was made to the Finance Office for the grant of an exchange permit to cover the value of cotton according the the rates at which the sale had originally taken place. Up to the middle of January the contract rates shown in the application for exchange permit were accepted as correct without question, and no difficulty beyond the delay involved in the issue of the permits was experienced by the trade. At this time a communication was received from the Cotton

Imports Control Association through the Japanese buyers to the effect that the Finance Office had decided that exchange permits for cotton would issue on the basis of current market rates which were 10 to 30 per cent below contract prices. Shipment was required to be made before issue of the exchange permit, and though the buyers expressed willingness to pay the difference in yen they were unable to say when, if at all, remittance of these differences would be permitted. The conditions sought to be imposed which violated the provisions of the contracts aroused indignation among the Indian exporters, and pending a settlement of the question it was decided to suspend sales of Indian cotton. A deputation of representatives of Indian cotton exporters proceeded to Tokyo and interviewed the officials of the Finance Office. The latter explained that the new procedure was adopted as Government was not satisfied as regards the genuineness of the prices declared in the applications for permit, and that when satisfactory evidence was produced to show that the contract was *bonâ fide*, permits would be issued for the full contract price. Pending examination of the contracts, it was however conceded that Indian shippers may ship only so much cotton as would be covered by the amount shown in the permit if calculations were made according to contract rates, and further that shipments may not be effected before issue of exchange permits. Substantial and satisfactory modification of the original orders was thus ensured, and it was expected that no further difficulties would arise. A few days later, however, the Cotton Spinners' Association, in disregard of the directions of the Finance Office insisted on shipments being made before issue of exchange permits, the depletion of the stocks of raw cotton being advanced as the justification for this demand. The Indian shippers could not comply with this requirement as the Exchange Banks were refusing to finance exports to Japan not covered by exchange permits and their own resources were insufficient for the purpose. Representations were therefore made to the Cotton Spinners' Association, but the latter declined to make any concession. The dictatorial attitude adopted by the Cotton Spinners' Association in this matter lent colour to the suspicion that the Japanese mills, assisted by certain other influential and interested parties, had themselves persuaded the Government to introduce the new procedure in order that they may obtain cheaper in preference to high-priced cotton and certain Japanese dealers in Indian cotton may be able to score over their Indian rivals. The situation which showed signs of becoming aggravated was, however, eased as Japanese importers in a number of cases were able to arrange with Japanese banks in India for credits to be opened, and in some cases Indian exporters were themselves able to finance shipments. Meanwhile, at the instance of the Government of India, His Majesty's Government directed His Excellency the British Ambassador in Tokyo to make representations on the subject to the Japanese Government. The latter replied that the Indian cotton contracted for at high rates during July and August of 1937 would have been shipped from India by the end of April 1938, and that permits for this cotton would be issued in April for an amount equivalent to a proportion of the purchase price equal to the price at the current rates for Indian cotton. As regards the difference between the current price and the contracted price, permits were promised as soon as importers presented documents in evidence of the existence of this difference. As difficulties were anticipated in getting the necessary evidence from Japanese importers,

the Indian shippers were asked to send their evidence from India. It is confidently expected that as a result of the action taken, old contracts in respect of Indian cotton will be liquidated in due course.

*Chinese and Brazilian Cotton.*

It would be appropriate to refer briefly to the future prospects of Chinese and Brazilian cotton in the Japanese market.

*Chinese Cotton.*

Chinese cotton is received into Japan through the ports of Tientsin and Shanghai—that arriving at the latter port originates in the Yangtze valley while that going to Tientsin is raised in the Yellow river basin. The cotton grown in South China or the Yangtze valley is coarse and short and generally unfit for spinning purposes. It is utilised as absorbent cotton or as padding for clothes and bedding. On the other hand, a great many of the species of cotton grown in North China have a longer and finer fibre which makes them suitable material for modern spinning mill uses. The North China cotton is grown mainly in provinces along the Yellow river such as Hopei, Shantung, Shansi, Honan, Shensi and Kansu and probably in Suiyan and Chahar as well. The first four named provinces are by far the most important as sources of cotton for Japan, and produce approximately seven million piculs of cotton annually which is roughly almost half of China's total production. The bulk of this cotton is consumed locally, an appreciable proportion being consumed by foreign-owned spinning mills in China which manufacture textiles for domestic consumption. The quantity available is thus normally small as the following figures of imports of Chinese cotton into Japan show :—

| | Quantity (1,000 piculs). | Value (Yen 1,000). |
|---|---|---|
| 1934 | 331 | 15,693 |
| 1935 | 427 | 20,705 |
| 1936 | 464 | 22,778 |
| 1937 | 401 | 23,610 |
| 1938 (first quarter) | 232 | 11,962 |

The efforts which have been made this year to exploit this source of supply to the fullest possible extent are reflected in the figures for the first quarter of 1938. This increase in imports was made possible by the fact that on account of the hostilities during which the Jaanese mills in Tsingtao suffered destruction and the Chinese mills had to suspend or curtail operations, the

extent of local consumption was enormously reduced. The following table shows the number of spindles in China :—

*Spindles in Japanese, Chinese, and British Mills in China.*

(In Thousands.)

| — | Japanese Mills. | | Chinese Mills. | | British Mills. | | TOTAL. |
|---|---|---|---|---|---|---|---|
| | | Per cent. | | Per cent. | | Per cent. | |
| 1932 . . | 1,788 | 39·79 | 2,522 | 56·13 | 183 | 4·08 | 4,493 |
| 1933 . . | 1,813 | 39·06 | 2,643 | 56·95 | 185 | 3·99 | 4,640 |
| 1934 . . | 1,873 | 39·21 | 2,719 | 56·92 | 185 | 3·87 | 4,777 |
| 1935 . . | 1,940 | 39·19 | 2,824 | 57·02 | 188 | 3·79 | 4,953 |
| 1936 . . | 2,160 | 42·58 | 2,690 | 53·06 | 221 | 4·36 | 5,071 |

It is reported that reconstruction work on the Tsingtao mills has commenced, and some of the idle spindles in Japan are being transferred to this port. With the establishment of more settled conditions there is also the possibility of other mills commencing operations. The probability therefore is that the demand this year for staple cotton required for domestic use in China will revive. On the other hand, reports generally agree that on account of hostilities and the fact that the countryside in North China is still largely controlled by bandits and irregulars, the area under cotton has suffered considerable shrinkage and this year's crop is expected to be only half of the normal production. The surplus available for Japanese mills, though somewhat larger than the normal supply, will therefore still be small, and if Japanese production of cotton textiles is not subjected to further drastic curtailment the prospects for this year are that Indian cotton will get its due share of Japanese purchases.

It will be observed that the quantity of raw cotton normally available to Japan from China is round about 400,000 piculs. This is so small that any extension of mill activity in China would reduce it to negligible proportions. The only hope therefore of getting much larger supplies from this source lies in a very considerable extension of the acreage under cotton. In recent years, thanks to the encouragement of the Chinese Government and the Japanese industrialists, some increase has already taken place. The hope is entertained that on the basis of this experience and under more favourable circumstances the acreage can be increased sufficiently to double the production and raise the volume available for export to twenty times the present figure. If this goal is attained, North China will supply Japan with between six to seven million piculs of cotton, a quantity corresponding to the annual tonnage which Japan is now importing from India. It is, however, highly problematical if the near future will see the fulfilment of these hopes. The agricultural economics of China depends largely on a proper balancing of arable land between food and cotton crops, and any substantial disturbance of this balance is likely to have unfavourable reactions. For example, any large scale switch over from grain and cereals to cotton would mean lower prices for cotton and higher prices for foodstuffs which the farmer requires for his own consumption. The northern provinces are further subject to floods and there are in consequence wide fluctuations in

production. Means of communications are extremely deficient, and the industry suffers from lack of organisation. There is further the bandit menace to add to the insecurity of life and property. It follows that larger quantities of raw cotton from this region can only be made available if and when the farmer undertakes cotton cultivation as a substitute crop, floods are controlled, means of communication are vastly improved, peaceful conditions are established and the industry is properly organised so that the farmer has no difficulty in obtaining seed and credit facilities and the sale of his crop after it is harvested is guaranteed. It requires time to establish these conditions, and the prospects are that for the next three years no substantial improvement in the supplies from this source will take place.

*Brazilian Cotton.*

Cotton in Brazil is now the most widely cultivated agricultural product. The projected large scale production and the acceptance of the Brazilian fibre in the international market have become a reality in the course of the last four years. In 1932-33 Brazil produced only 987 quintals of raw cotton. four years later in 1936-37 her production figure jumped up to 3,920 quintals. Imports of Brazilian cotton into Japan are shown below :—

(In thousands.)

| | Quantity (piculs). | Value (Yen). |
|---|---|---|
| 1934 | 29 | 1,962 |
| 1935 | 39 | 2,318 |
| 1936 | 708 | 44,764 |
| 1937 | 778 | .. |

Imports during the cotton year (September to August) 1936-37 were 831,929 piculs, and from September 1937 to March 1938 405,054 piculs.

Brazilian cotton is of American middling quality and is only slightly cheaper than the American. The Japanese consumers may show some preference for this cotton for political reasons, but it does not normally compete with Indian cotton.

(2) HIDES AND SKINS, RAW AND TANNED.

Livestock is not raised to any considerable extent in Japan owing to the mountainous natur [illegible] high land values. [illegible] of the ever-increas[illegible] cattle hides furnishes only about 20 per cent of the country's requirements the remaining 80 per cent has to be met from foreign sources and Japanese colonies. While 50 per cent of Japan's total imports of tanned hides and skins is supplied by India, her share in the supply of raw hides and skins is only about 5 per cent. In spite of efforts to attain self-sufficiency in the supply of leather by raising livestock in Manchukuo and utilizing the resources of North China as well as turning to the sea for shark skins, there appears to be a good field for Indian hides and skins in Japan in a normal year provided

more attention is given to their proper curing, cleaning, grading, etc., so as to enable them to withstand competition from the American and Australian products. The types of raw hides and skins obtained from Manchukuo, Korea and China are not generally of good quality. They are usually of smaller footage, not uniform in size and of poor quality, being greatly damaged by cattle flies. Till some years back, China used to supply from 50 to 60 per cent of Japan's total requirements of raw hides and skins, the produce of Hankow and Tsingtao commanding a greater portion of the market. Owing to unsettled conditions in China, the imports from that country greatly declined, China's share in 1937 being about 25 per cent. At present supplies from Central China, including the Hankow area, have been completely stopped.

The following figures indicate production of raw hides and skins of various kinds in Japan :—

| — | 1931. | 1932. | 1933. | 1934. | 1935. | 1936. |
|---|---|---|---|---|---|---|
| Quantity in pieces . . | 794,119 | 983,640 | 994,140 | 1,127,694 | 1,187,087 | 1,354,201 |
| Value in 1,000 Yen . | 4,157 | 5,627 | 5,698 | 6,871 | 7,057 | Not available. |

The following statistics show importation of raw hides and skins into Japan from various sources :—

*(Quantity in 100 kin, Value in 1,000 Yen.)*

| — | | 1935. | 1936. | 1937. | 1938. (First Quarter.) |
|---|---|---|---|---|---|
| TOTAL . . . . . . | Q. | 507,022 | 512,714 | 687,511 | 125,059 |
| | V. | 21,356 | 24,386 | 44,571 | 7,597 |
| Share of— | | | | | |
| British India . . . | Q. | 12,284 | 17,062 | 29,247 | 1,788 |
| | V. | 462 | 659 | 2,323 | 127 |
| Manchukuo . . . | Q. | 21,464 | 16,530 | 14,682 | 2,520 |
| | V. | 1,041 | 926 | 1,039 | 253 |
| China . . . . . . | Q. | 140,971 | 201,105 | 161,814 | 18,360 |
| | V. | 5,126 | 9,177 | 10,070 | 842 |
| U. S. A.. . . . . | Q. | 143,194 | 72,301 | 112,301 | 31,598 |
| | V. | 6,696 | 3,972 | 9,396 | 2,098 |
| Argentine . . . . | Q. | 21,648 | 27,678 | 80,886 | 37,628 |
| | V. | 1,036 | 1,391 | 5,871 | 2,472 |
| Australia . . . . | Q. | 56,320 | 23,525 | 73,128 | 15,323 |
| | V. | 2,295 | 1,124 | 5,023 | 965 |
| Straits Settlements . . | Q. | 10,424 | 6,908 | 9,901 | 1,283 |
| | V. | 265 | 197 | 482 | 44 |
| Great Britain . . . | Q. | 3,673 | 4,491 | 3,226 | 838 |
| | V. | 303 | 458 | 385 | 73 |
| France . . . . . | Q. | 5,956 | 3,963 | 8,665 | 2,261 |
| | V. | 393 | 324 | 835 | 192 |

The China Incident was responsible for a substantial increase in the demand for leather in 1937 and in consequence the imports of raw hides and skins during the year recorded a sharp increase of 34·1 per cent in quantity and 82·8 per cent in value as compared with 1936. The advance registered by Indian hides and skins was most remarkable, being 71·4 per cent in quantity and 252·3 per cent in value. Most of the heavy shipments from India were received between May and September of which the peak months were July and August.

Till the outbreak of the World War, the annual production of leather in Japan amounted to only 9 million Yen, but during the War, like many other industries in the country, the tanning industry received great fillip owing to the decline or stoppage of supplies from many important sources. The year 1916 recorded exceptional activity, the production of leather in that year reaching 60 million yen. From that time to 1932, no marked increase was witnessed in the production of leather. In recent years the industry has again made steady progress.

*Production of Leather.*

*(Quantity in 1,000 pieces ; Value in Yen 1,000)*

| — | Total | Cattle Leather. | | Horse Leather | | Others. |
|---|---|---|---|---|---|---|
| | Value. | Volume. | Value | Volume | Value. | Value. |
| 1928 | 53,365 | 1,845 | 33,753 | 389 | 2,754 | 16,859 |
| 1931 | 18,391 | 1,289 | 15,536 | 399 | 1,876 | 978 |
| 1932 | 19,976 | 1,486 | 17,187 | 281 | 1,737 | 1,052 |
| 1933 | 26,538 | 1,940 | 23,567 | 317 | 1,684 | 1,287 |
| 1934 | 33,863 | 2,847 | 30,555 | 312 | 1,646 | 1,662 |
| 1935 | 33,560 | 2,544 | 30,631 | 108 | 1,602 | 1,335 |
| 1936 | 45,945 | 3,248 | 40,828 | 354 | 2,596 | 2,522 |

The following are the imports of leather into Japan from various sources :—

*(Quantity in kin, Value in 1,000 yen)*

| — | 1935. | 1936 | 1937. | 1938 1st quarter. |
|---|---|---|---|---|
| Total | Q. 1,482,334 | Q 1,298,909 | Q 1,366,602 | Q 186,656 |
| | V. 4,044 | V. 5,465 | V. 7,520 | V. 794 |
| Share of— | | | | |
| British India | Q 969,325 | Q. 763,847 | Q 871,438 | Q. 101,488 |
| | V. 2,518 | V. 2,346 | V. 3,436 | V. 352 |
| Great Britain | Q. 81,202 | Q. 82,025 | Q. 61,002 | Q. 6,220 |
| | V. 192 | V. 277 | V. 413 | V. 22 |
| Germany | Q. 111,151 | Q. 103,889 | Q. 76,861 | Q. 11,519 |
| | V. 960 | V. 1,023 | V. 934 | V. 146 |
| U. S. A. | Q. 262,615 | Q. 233,121 | Q. 136,620 | Q. 5,943 |
| | V. 958 | V. 1,229 | V. 1,061 | V. 75 |

Imports of leather from British India were heaviest during January, February and April to August, the Indian produce several times commanding the market at the expense of American and German leather.

As an effect of the Govt.'s restriction scheme, imports both of raw and tanned hides and skins into Japan have greatly fallen off since the end of 1937. It appears that Japan has sufficient stock of leather to meet important requirements for several years, and as such exchange permits for fresh importation are given at present with extreme niggardliness. Importation of raw goat and sheep skins, furs and fancy skins such as lizard and snake skins, have been totally prohibited while cheese-paring economy is being observed by the nation in the use of pure leather goods for domestic and everyday use. The year 1938 does not therefore offer any good prospects for the sale of Indian hides and skins in Japan.

The following are import duties levied on these articles in Japan :—

| — | General tariff. | | |
|---|---|---|---|
| | Units. | Rate of duty. | Specific duty by Law No. 4, 1932. |
| | | Yen. | Yen. |
| Hides and skins, Raw | | Free. | |
| Leather— | | | |
| (1) Of bulls, oxen, cows, buffaloes, horses, sheep and goats— | | | |
| (A) Lacquered, japanned or enamelled— | | | |
| (a) Plain and black, tannin tanned | *Ad. val.* | 40% | |
| (b) Others | ” | 20% | |
| (B) Dyed or coloured, excluding roller leather | 100 kin. | 145·00 | 195·75 |
| (C) Others— | | | |
| C-1. Of bulls, oxen, cows, buffaloes and horses— | | | |
| (a) Sole leather— | | | |
| (a)-1. Back, bend, butt, strip, or the like and cut in sole size. | ” | 27·10 | 36·58 |
| (a)-2. Others | ” | 15·20 | 20·52 |
| (b) Others | *Ad. val.* | 20% | |
| C-2. Of sheep and goats— | | | |
| (a) Roller leather | 100 kin. | 86·80 | 117·18 |
| (b) Others | ” | 24·00 | 32·40 |
| (2) Of chamois including imitation chamois leather | ” | 74·40 | 100·44 |
| (3) Of swine | *Ad. val.* | 20% | |
| (4) Of alligators and crocodiles— | | | |
| (A) Each weighing not more than 150 grammes | 100 kin. | 207·00 | 279·45 |
| (B) Others | ” | 113·00 | 152·55 |
| (5) Of lizards | ” | 394·00 | 531·90 |
| (6) Waste | *Ad. val.* | 20% | |
| (7) Others | ” | 20% | |

Quite a good quantity of leather is usually exported from Japan in a normal year. The exports during the three years 1935 to 1937 were as follows :—

| | 1935. | 1936. | 1937. |
|---|---|---|---|
| Quantity (1,000 kin) | 1,045 | 2,516 | 1,653 |
| Value (1,000 Yen) | 1,320 | 3,567 | 2,587 |

As a result of the China Emergency, Japan's export trade in leather declined considerably in 1937. The greater part of sole leather was shipped to U. S. S. R. and Manchukuo. More than half the tanned leather went to Manchukuo, the remainder being shipped to China, the U. S. A., the Straits Settlements, Great Britain and Germany. Production of leather goods has gradually increased with the advance of manufacturing technique. The output which totalled 28 million yen in 1931 rose to 42 million yen in 1936, about two-thirds of which comprised boots and shoes. Imports of leather goods have sharply declined, and in 1937 amounted only to 160,000 yen. The imports consisted of machine belts and tubes, the principal suppliers being the U. S. A., Great Britain and Germany. Exports of leather goods, on the contrary, increased from 450,000 yen in 1931 to 5,400,000 yen in 1937. Machine belts were exported to China, Manchukuo and British India, boots and shoes to Manchukuo, the Netherlands East Indies, Africa, etc., gloves and sporting goods were shipped to British India, the U. S. A., Manchukuo, Netherlands East Indies, etc.

The restriction on imports introduced towards the end of 1937 and the nation-wide move to economize in the use of leather in order to release large quantities for military purposes, has given a great impetus to the development of a new tanning industry from marine sources. Skins of whale, shark, salmon, cod and dolphin, specially of shark, have proved to be of great industrial value. Japan's catch of shark, salmon and cod in 1937 were :—

| | Japan Proper. | Korea. | Formosa. |
|---|---|---|---|
| Kilo Tons | 57,368 | 7,600 | 5.983 |
| Value | Y. 3,665,381 | Y. 852,407 | Y. 519,357 |

Of the above, about 200,000 pieces have been of large variety affording tanned leather of large footage. Shark fishing has been subsidized by several Prefectural Governments and considerable quantities of these skins are tanned for manufacturing leather goods of various kinds such as shoes, caps, bags, trunks, pouches, etc.

### (3) Pig Iron.

As in the case of other important industries, the development of the iron and steel industry in Japan had its origin in the World War, but the most spectacular expansion has taken place since the reimposition of the gold embargo in December 1931 when currency depreciation gave protection to the

domestic industry. The Manchurian Incident of September that year and a large demand for munitions further contributed to its development. Publication of statistics relating to Japan's production and imports of pig iron has been discontinued since the middle of 1937. The production of pig iron in Japan, Korea and Manchukuo during 1936 reached about 3 million metric tons against 1,400,000 tons in 1931, while imports increased from 399,000 tons in 1931 to 972,000 tons in 1936. Although the production of pig iron in the Japanese Empire in a given year is about double the quantity of Indian production, the requirement of the Japanese industries is so great that about 30 per cent of the demand for this article has to be met from foreign supplies, while about 40 per cent of India's comparatively smaller production having no demand within the country has to be shipped abroad. During the three years ended 1937-38 more than 21 per cent of India's production and 58 per cent of her total exports of pig iron has been consumed by the Japanese iron factories and shipbuilding yards.

The following table brings out the position of Japan's demand and supply of pig iron :—

*(In 1,000 metric tons.)*

| —— | 1931. | 1932. | 1933. | 1934. | 1935. | 1936. |
|---|---|---|---|---|---|---|
| Home production . . | 1,064·5 | 1,172·7 | 1,597·8 | 1,938·9 | 2,118·2 | 2,007·6 |
| Import . . . | 402·7 | 451·1 | 647·7 | 623·1 | 970·5 | 1,094·9 |
| TOTAL SUPPLY . . | 1,467·3 | 1,623·8 | 2,245·5 | 2,562·1 | 3,088·8 | 3,102·5 |
| Export . . . . | 1·3 | 1·6 | 0·2 | 0·1 | 0 | 1·0 |
| TOTAL HOME DEMAND | 1,466·0 | 1,622·1 | 2,245·3 | 2,562·0 | 3,088·8 | 3,101·5 |
| *Production ratio to total home demand in percentage.* | 73 | 72 | 71 | 76 | 69 | 65 |

(Unit of Quantity in Ton 1,000)

| Year. | Home production in Japan Proper. | Imports. | | | | Transportation into Japan Proper from outer ports | Total Importation including Transported articles. | Total Supplies obtained. | Exports | Transportation to outer ports. | Total Exports. | Balance—actual demand. | Per cent of Home production against demand. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | From Manchuria | From India. | From Others | Total. | | | | | | | | |
| 1927 . . | 890 | 199 | 261 | 13 | 473 | 103 | 576 | 1,472 | ·435 | 3 9 | 4 | 1,467 | 61% |
| 1928 . . | 1,093 | 213 | 310 | 46 | 569 | 140 | 709 | 1,802 | 486 | 4 | 4 | 1,797 | 61% |
| 1929 . . | 1,087 | 195 | 411 | 47 | 653 | 138 | 791 | 1,878 | 244 | 4 | 4 | 1,875 | 38% |
| 1930 . . | 1,162 | 179 | 214 | 12 | 405 | 109 | 514 | 1,676 | ·169 | 5 | 5 | 1,672 | 70% |
| 1931 . . | 917 | 242 | 150 | 6 9 | 399 | 95 | 494 | 1,411 | 348 | 2 | 3 | 1,409 | 65% |
| 1932 . . | 1,011 | 322 | 118 | 4 | 444 | 206 | 650 | 1,661 | .. | 1 | 1 | 1,660 | 61% |
| 1933 . . | 1,424 | 455 | 172 | 13 | 640 | 160 | 800 | 2,224 | .. | ·45 | ·45 | 2,225 | 64% |
| 1934 . . | 1,723 | 409 | 202 | 2 9 | 614 | 164 | 778 | 2,506 | .. | 1 | 1 | 2,505 | 69% |
| 1935 . . | 1,907 | 383 | 338 | 241 | 962 | 131 | 1,093 | 3,000 | .. | 1 | 1 | 2,998 | 64% |
| 1936 . . | 2,008 | 271 | 375 | 325 | 971 | 123 | 1,094 | 3,102 | .. | 1 | 1 | 3,102 | 65% |

*N.B.*—Outer ports means Chosen, Formosa and Dairen.

*Statement showing movements of demand and supply for Steel during past 10 years.*

(Unit in Ton 1,000.)

| Year. | Production in Japan Proper. | Imports and Transports from outer ports. | | | Total Production and Imports. | Exports and Transportation to outer ports. | | | Balance Actual Demand. | Proportion of production against demand. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Imports. | Transportation into Japan Proper. | Total | | Exports. | Transportation to outer ports. | Total. | | |
| | | | | | | | | | | Per cent. |
| 1927 . . . . . . | 1,415 | 811 | 3 | 814 | 2,229 | 16 | 139 | 155 | 2,074 | 68 |
| 1928 . . . . . . | 1,720 | 821 | 4 | 825 | 2,545 | 23 | 159 | 182 | 2,363 | 73 |
| 1929 . . . . . . | 2,034 | 785 | 5 | 790 | 2,824 | 26 | 170 | 196 | 2,628 | 77 |
| 1930 . . . . . . | 1,921 | 435 | 2 | 437 | 2,358 | 67 | 167 | 234 | 2,124 | 90 |
| 1931 . . . . . . | 1,663 | 263 | 2 | 265 | 1,928 | 57 | 147 | 204 | 1,724 | 96 |
| 1932 . . . . . . | 2,113 | 230 | 6 | 236 | 2,349 | 116 | 184 | 300 | 2,049 | 100 |
| 1933 . . . . . . | 2,863 | 400 | 10 | 410 | 3,273 | 229 | 206 | 435 | 2,838 | 101 |
| 1934 . . . . . . | 3,323 | 371 | 56 | 427 | 3,750 | 345 | 249 | 594 | 3,156 | 105 |
| 1935 . . . . . . | 3,976 | 316 | 41 | 357 | 4,333 | 444 | 367 | 811 | 3,522 | 113 |
| 1936 . . . . . . | 4,539 | 296 | 49 | 345 | 4,884 | 447 | 441 | 888 | 3,996 | 114 |

The following statistics show importation of Pig Iron into Japan from various sources :—

(Quantity in 1,000 Piculs ; Value in 1,000 Yen.)

| Where imported from. | 1934. | | 1935. | | 1936. | | From January to July. 1937. | |
|---|---|---|---|---|---|---|---|---|
| | Quantity. | Value. | Quantity. | Value. | Quantity. | Value | Quantity. | Value. |
| Manchukuo | 6,816 | 18,961 | 6,379 | 18,612 | 4,520 | 14,659 | 2,010 | 8,477 |
| Kwantung Province | 7 | 20 | 4 | 13 | .. | .. | .. | .. |
| *India* | *3,269* | *7,292* | *5,639* | *12,728* | *6,255* | *14,570* | *2,861* | *9,180* |
| England | 22 | 110 | 42 | 195 | 88 | 220 | 77 | 506 |
| Germany | 8 | 22 | 7 | 54 | .. | .. | 10 | 61 |
| Belgium | .. | .. | .. | .. | 8 | 18 | 56 | 333 |
| Sweden | 4 | 26 | 10 | 64 | 1 | 5 | .. | .. |
| U. S. A. | 13 | 84 | 14 | 99 | 10 | 69 | 2,479 | 15,799 |
| Others | 5 | 14 | 3,937 | 9,214 | 5,372 | 12,528 | 1,103 | 3,549 |
| TOTAL | 10,239 | 26,529 | 16,032 | 41,179 | 16,199 | 42,064 | 8,596 | 37,970 |
| INDIA'S SHARE IN THE TOTAL IMPORTATION. | 30 4% | 36·4% | 28·4% | 32 4% | 25 9% | 20% | 33 3% | 41·4% |

The following figures show India's production of pig iron and Japan's offtake of the commodity during the years 1931-32 to 1937-38 :—

*(In 1,000 tons)*

| — | Production. | Exports to all countries | Share of Japan | Share of Japan in Percentage. |
|---|---|---|---|---|
| 1931-32 | 1,070 | 351 | 188 | 53·6 |
| 1932-33 | 880 | 218 | 71 | 32·6 |
| 1933-34 | 1,109 | 378 | 184 | 48·7 |
| 1934-35 | 1,343 | 417 | 216 | 59 |
| 1935-36 | 1,541 | 538 | 397 | 73 8 |
| 1936-37 | 1,552 | 574 | 306 | 53 3 |
| 1937-38 | 1,644 | 629 | 312 | 49 6 |

As has already been mentioned, the Japanese iron and steel industry, since the abolition of the gold standard at the end of 1931, has been expanding owing to the growing demand for armaments and for the development of constructional works in Manchuria. After a short boom in the autumn of 1935, the industry displayed reactionary feebleness until the autumn of the next year when there developed a shortage in the supply of pig iron. The high prices of American scrap iron and Indian pig iron made the situation acute, particularly as supply from Soviet Russia could not be obtained in time. Since the conclusion of an Anti-Comintern Pact between Japan and Germany, it has become increasingly difficult for Japan to obtain supply from Soviet Russia whose annual production of pig iron represents about 15 per cent of the World production, next only to the U. S. A. and Germany.

Great activity of war industries and heavy industries in 1936 and 1937 called for huge consumption of pig iron for which the domestic production was absolutely inadequate. At present about 95 per cent. of the production of pig iron is handled by the Government-established Japan Iron Manufacturing Company. The Company was established in January 1934 under the auspices of the Government in accordance with the provisions of a special legislation known as the Japan Iron Manufacturing Company Law enacted in 1933, with a paid-up capital of Y.359,821,000 by amalgamating all the Government Works and five private companies. Some of the interesting clauses of the above Law are as follows:—

(1) The Japan Iron Manufacturing Company is organised for the establishment of the iron industry of the country on a sound basis with the existing Government and other iron manufacturing enterprises as nucleus.

(2) The Japanese Government will supervise the operation and management of the Company. Appointment or discharge of officials of the Company, introduction of changes in the Articles of Association, disposal of profits, floatation of debentures, increase of capital and suspension or closing of the whole or any part of the Company's enterprises are subject to Government permission.

(3) During the period of five years from the date of the Company's establishment, it will be exempt from the registration tax on capital increase, amalgamation, payment in shares, and acquisition of land or ships.

(4) When a loss is caused to the Company through an order of the Government, the amount will be deducted from the dividend or profits on the shares held by the Government.

(5) When the Company's decisions on business matter is found to be violating its Articles of Association, laws and regulations or are found to be against public interests, the Government may veto such decisions.

(6) The Company's shares cannot be owned by foreigners or by corporations in which the majority of the shares are held by foreigners or foreign corporations. The Japanese Government is to hold more than one-half of the total number of shares.

How the demand for pig iron has been increasing is shown by the purchase applications received by this Company in recent times:—

*First Quarter of 1936.*—Against the total purchase application of 384,000 tons, the available quantity was 344,000 tons or a shortage of 40,000 tons.

*Second Quarter of 1936.*—Against the total purchase application of 380,000 tons, the available quantity was 336,000 tons, or a shortage of 44,000 tons.

*Third Quarter of 1936.*—Against the total application of 415,000 tons, the available quantity was 337,000 tons or a shortage of 78,000 tons.

*Fourth Quarter of 1936.*—Against the total application of 450,000 tons, the available quantity was 370,000 tons, or a shortage of 80,000 tons.

*First Quarter of 1937.*—While the total application increased to 470,000 tons, the available quantity was 338,000 tons involving a shortage of 133,000 tons.

*Second Quarter of 1937.*—The total application further increased to 490,000 tons, but the available quantity was only 350,000 tons or a shortage of 140,000 tons.

(Figures since the middle of 1937 are not available.)

Because of the continuous shortage of supply, the price of pig iron has been increasing. The shortage in supply has in turn been due to the following factors :—

(a) Importation of pig iron, scrap iron and old iron has gradually become more difficult owing to the increased world demand for these articles to feed armament industries.

(b) The pig iron producing capacity of Japan is inadequate.

(c) The production increase plan has not yet materialised.

In view of the great shortage of pig iron and steel products, the Government early in 1937 proposed to establish a co-operative sales company, through which the iron and steel industries both in Japan and Manchukuo were to be placed under proper Government control. The plan was however abandoned because of the strong opposition encountered from the leading steel companies in Manchukuo such as the Nichiman Trading Company and the South Manchurian Railway Company who desired to retain the right of fixing the prices of pig iron and steel materials in Manchukuo. Soon after the formation of the Hayashi Cabinet, the Minister of Commerce and Industry submitted a five-year plan for pig iron and steel products the outline of which is as follows :—

(In 1,000 metric tons.)

| | 1937. | 1941. |
|---|---|---|
| (1) Pig Iron— | | |
| Production | 3,620 | 5,000 |
| For castings | 950 | 1,150 |
| Japan Steel Manufacturing Company | 2,400 | 4,250 |
| Miscellaneous | 400 | 920 |
| Manchukuo | 220 | 630 |
| Imports | 600 | 100 |
| (2) Steel Products— | | |
| Production | 5,000 | 6,200 |
| Domestic demand | 4,650 | 5,850 |
| Exports | 350 | 350 |

The Minister explained to the Diet the future demand and supply of pig iron and steel products. The total output of pig iron under the above five-year plan in which Japan would co-operate with Manchukuo was expected

to reach 6,000,000 metric tons a year. In respect of price advance, the Minister declared that the existing acute shortage was largely due to faulty distribution rather than to insufficient production. He informed the Diet Members that the Government would consider the desirability of extending financial assistance to private enterprises for the utilisation of poor iron ore and iron sand, and would adopt measures to restrict the consumption of scrap iron under the official iron and steel policy. These measures were embodied in a bill and introduced in the 70th Session of the Diet on March 6, 1937. But the bill was not passed and in the meantime, the Hayashi Cabinet was superseded by a new Cabinet on June 3, 1937 which finally secured its passage in the next session of the Diet. The main points of this legislation known as the "Iron and Steel Industry Law" are as follows :—

(1) A permit system is to be adopted for all desiring to engage in the iron industry. Government permits are required for the establishment of enterprises, expansion, change, transfer and suspension of facilities.

(2) The standard for the permit is a pig-steel production process with a capacity of more than 25,000 tons a year, and the capacity of each furnace more than 300 tons a day.

(3) For the encouragement of the iron industry the following privileges will be extended :—

(*a*) Iron manufacturers who instal new equipment or additions under proper permits are exempt from income, business and local taxes.

(*b*) When country-made steel materials are used for building and repairing ships, a special subsidy is to be given to the manufacturers of such steel materials.

(*c*) On the import of materials necessary for the iron industry, the import tariff is to be waived for ten years from the date of the enforcement of the law.

(*d*) Subsidies are to be given for the pig-steel process, and for the utilisation of poor ores or sand iron.

(4) When necessary for public welfare the Government may order iron makers to change the supply quantity, sales price and sale terms of iron and steel, or to expand, change or suspend equipment or operation systems or issue other orders necessary for maintaining fair prices.

(5) When deemed necessary under military requirements, the Government may order the installation of special equipment or the holding of raw materials and other things.

(6) The Government whenever necessary may despatch officials to the offices, factories, warehouses and other places of iron manufacturers to examine business conditions and records.

(7) A central advisory organisation will be established to help the Government in exercising control over the industry. (The organisation was enlarged at the end of the first quarter of 1938 to a much bigger organisation known as the Iron and Steel Federation with the main object of investigating and studying the adjustment of demand and supply, the regulation of imports

and exports, the securing of raw materials, improvement in production and distribution, and the general expansion of the iron and steel industry.)

In order to alleviate shortage in the supply of iron and steel and check an advance in prices, a legislative measure was introduced and passed in the 71st Session of the Diet held in July-August 1937 abolishing the import duties on pig iron and steel products until June 30, 1939. In January 1938, the Government revised their five-year production plan of pig iron. The plan falls for a production of pig iron of 12,500,000 metric tons in Japan, Manchukuo and North China by 1940. Based on 1936, the scheme demands that the production of pig iron be increased 500 per cent in five years.

Price movement of pig iron during the period under review has been indicated in Chapter VII, while in item VIII of Chapter II a brief outline has been given regarding the agencies that control importation of pig iron and the method of fixing price of this commodity. Monthly price movement of pig iron from January 1935 to March 1938 is however reproduced below :—

*Prices of Pig Iron in Yen per ton.*

| — | 1935. | 1936. | 1937. | 1938. |
|---|---|---|---|---|
| January | 57·00 | 54 70 | 63 20 | 88 50 |
| February | 54·75 | 54·70 | 63 20 | 88 50 |
| March | 54 20 | 54 70 | 63 20 | 88 50 |
| April | 54·43 | 54·70 | 87 97 | |
| May | 54·70 | 54 70 | 85·50 | |
| June | 54·70 | 54 70 | 85·50 | |
| July | 54·70 | 55 70 | 88 60 | |
| August | 54 70 | 55·70 | 88 60 | |
| September | 54 70 | 55·70 | 88·60 | |
| October | 54 70 | 55 70 | 88 50 | |
| November | 54 70 | 56 37 | 88 50 | |
| December | 54 70 | 56 70 | 88 50 | |

As in the case of the supply of some other important raw materials, it is the aspiration of Japan to achieve self-sufficiency in cheap pig iron. Although earnest efforts are being made towards this end, the market for Indian pig iron in Japan is likely to remain assured at least for the near future in spite of the tendency of the Japanese buyers to regard the Indian product as expensive.

### (4) MANGANESE.

Manganese is an essential ingredient required in the manufacture of steel, It is used as a deoxidizer. It is necessary to have approximately fourteen pounds of manganese for each ton of steel made, though this does not enter into its final composition. The deficiency in the supply of maganese is not however of such a nature as to prove a deterrant to the steel-making capacity of Japan who herself produces considerable quantities of this ore though there are no such large deposits of high grade manganese as are found in India,

Russia, Brazil and the Gold Coast in West Africa. About 80 per cent of Japanese consumption of manganese comes from India, the rest being made up of home production and imports from nearby countries such as Unfederated Malay States. Philippine Islands, French Indo-China and Siam. At present Japan's annual production is about 35,000 tons. With the rapid expansion of her iron and steel industry since the abandonment of the Gold Standard in 1931, Japan's purchase of manganese ore from India has been steadily increasing.

*Exports from India.*

| — | Quantity (000 tons). | | | Value (000 rupees). | | |
|---|---|---|---|---|---|---|
| | To Japan. | Total Exports. | Japan's share in per cent. | To Japan. | Total Exports. | Japan's share in per cent. |
| 1931-32 . . . | 6 | 212 | 3 | 124 | 5,652 | 2 |
| 1932-33 . . . | 31 | 198 | 16 | 665 | 4,824 | 14 |
| 1933-34 . . . | 62 | 266 | 23·3 | 1,077 | 5,134 | 21·0 |
| 1934-35 . . . | 99 | 460 | 21·5 | 1,395 | 8,048 | 17·3 |
| 1935-36 . . . | 174 | 729 | 23·9 | 2,806 | 13,241 | 21·9 |
| 1936-37 . . . | 128 | 677 | 18·9 | 2,018 | 13,146 | 15·3 |
| 1937-38 . . . | 176 | 1,056 | 16·7 | 3,310 | 22,129 | 15·0 |

The yearly demand for manganese ore at present is approximately 30,000 tons in Manchukuo and 300,000 tons in Japan.

With the progress of the Japan-Manchukuo iron and steel production plan, Indian manganese ore is likely to be consumed in larger quantities specially as the supply from Russia has been stopped for some time past.

Importer's selling standard prices, according to the percentage of purity, exlighter Osaka, for manganese during 1937 were as follows:—

40 per cent or under yen 1·00 per 1 per cent per ton.
45 „ „ „ yen 1·20 „ „ „
48 „ „ „ yen 1·30 „ „ „
Above 48 per cent yen 1·30 „ „ „

Prices are fixed according to the above rates after an analysis of the ingredients is made of each shipment. It is stated that these selling prices generally bring in 2 to 3 Yen profit per ton to the importer.

The present ocean freight rate from Calcutta to Osaka is Rs. 12 per ton.

No customs duty is charged on imports of manganese ore.

### (5) Jute.

Japan is not a large purchaser of raw jute like other industrial countries such as Great Britain, U. S. A., Germany, France and Italy. Her requirement of this kind of fibre is limited and she hopes to meet it entirely from domestic production in the course of a few years. In recent years jute has

been cultivated extensively in Formosa, Japan Proper, North China and Manchukuo, the first-named island producing superior variety. The average output of Formosa for three years 1934 to 1936 was more than 10,000 tons. Statistics for 1937 are not available, but it is reported that the area under cultivation in Formosa was doubled last year and strenuous efforts are being made to increase the rate of production in coming years. The North China jute known as Tientsin Jute is not of good quality while the variety grown in Manchukuo known as Kenafe resembles the type of jute fibre produced in the Madras Presidency, called Meshter. Yet large scale cultivation of this crop has been undertaken in these areas in order to make Japan self-sufficient in the supply of jute. Some cultivation is also found in Japan Proper, while efforts are being made by the Japanese emigrants in Brazil to produce jute on a fairly large scale. Jute produced in the Amazon valley is reported to be of good quality and the output during 1938 is expected to reach 5,000 tons.

*Raw Jute—Exports from British India.*

| — | Quantity (tons 000) | | | Value (Rs 000). | | |
|---|---|---|---|---|---|---|
| | To Japan | Total exports | Japan's percentage | To Japan. | Total exports. | Japan's percentage. |
| 1935 . . . | 22 | 795 | 2 72 | 3,523 | 134,388 | 2 62 |
| 1936 . . . . . | 31 | 760 | 4 07 | 4,967 | 137,860 | 3 60 |
| 1937 . . . . . | 24 | 830 | 2 85 | 4,368 | 162,331 | 5 11 |
| 1938, January to March. | 6 | 159 | 3 77 | 639 | 30,050 | 2 12 |

Japan made a record purchase of raw jute in 1937, but it is significant that most of the heavy transactions were done during the first quarter of the year influenced, as in the case of raw cotton, by the expected import restrictions of a more stringent nature in the immediate future.

Importation of raw jute is controlled by the Indian Jute Importers Association consisting of eight firms, appointed with the approval of the Government. These are: Nippon Menkwa, Showa Menka, Daido Boyeki, Mitsui, Mitsubishi, Missho, Cameron and Co. and the American Trading Company. Exchange permits are allotted to the Association and distributed among the members on the basis of their past transactions. There is no open market for jute where quotations are offered, but it appears that the importers' selling prices as contracted between themselves and the mills at this end ranged between Yen 60 and Yen 70 per bale with occasional spurts to Yen 75 and Yen 77 during the year 1937-38. Of the three well-known grades of raw jute, each is mixed by the importers' agents at Calcutta into a number of varieties according to the requirements of the mills in Japan and the selling prices offered to these mills are determined at Calcutta before shipment. It is reported that the Government would shortly fix maximum quotation for raw jute, and for this Yen 57 f.o.b. Calcutta is understood to be suggested.

As regards jute manufactures, most of their imports comprise of gunny bags required by the sugar factories, sugar refineries and rice mills in Formosa and Japan and by the soya bean producers in Manchukuo.

The following figures show imports of gunny bags into Japan and Formosa :—

*Exports from India.*

*(In Rs. 000.)*

| — | 1935. | 1936. | 1937. | 1938, January to March. |
|---|---|---|---|---|
| To Japan . . . . . . . . | 4,155 | 5,950 | 2,618 | 190 |
| To Formosa . . . . . . . | 759 | 860 | 969 | 304 |
| To all countries . . . . . . | 109,018 | 116,882 | 129,964 | 28,967 |
| Total percentage of Japan and Formosa . | 4·51% | 5·80% | 2·76% | 1·71% |

No import duties are levied on raw jute and old gunny bags. Ordinary unused gunny bags are subject to a specific duty charged at the rate of Yen 3·44 per 100 kin.

## (6) Shellac.

Shellac is imported into Japan entirely from India. In recent years Japan has been buying heavily and is now India's third best customer of this commodity. The following gives a picture of India's export trade in this article during the five years ended 1937-38 according to Indian Sea-borne Trade Accounts :—

*Exports from India.*

| — | Quantity (in 1,000 cwts.). | | | Value (in lakhs of Rs.). | | |
|---|---|---|---|---|---|---|
| | To Japan. | Total exports. | Japan's percentage. | To Japan. | Total exports. | Japan's percentage. |
| 1933-34 . . . . | 31 | 529 | 5·9 | 10 | 194 | 5·2 |
| 1934-35 . . . . | 48 | 432 | 11·1 | 29 | 267 | 10·9 |
| 1935-36 . . . . | 54 | 285 | 18·9 | 19 | 104 | 18·3 |
| 1936-37 . . . . | 67 | 497 | 13·5 | 21 | 153 | 13·7 |
| 1937-38 . . . . | 37 | 410 | 9·0 | 11 | 111 | 9·9 |

In normal times free importation is made according to the market demand, but since 1937 the article has been subject to import permits as in the case of other commodities. Stricter control of importation of shellac was introduced by the Government towards the beginning of 1938 when an import control Association consisting of eight members was constituted under Government orders. Exchange permits are granted by the Government to this Association which allocates them amongst the members on the basis of each members' imports during past three years. The Association has been enjoined by the Government to exercise control over profiteering activities.

There are no open market quotations governing the transactions in this article. None of the importers consume the commodity and the selling price

is privately settled between the consumer and the importer. The selling price s however invariably based on import price. The following figures indicates average import prices of shellac :—

| — | Quantity | Value | Average price per Picul |
|---|---|---|---|
| | (Piculs) | (Yen) | (Yen.) |
| 1935 | 43,443 | 3,100,850 | 71 37 |
| 1936 | 50,313 | 2,761,690 | 54 89 |
| 1937 | 55,420 | 2,882,194 | 52·00 |
| 1938, January to March | 2,621 | 129,129 | 49 24 |

No import duty is levied on shellac.

## (7) Mica.

Mica is largely used for insulating purposes in manufacturing certain types of electrical machinery and goods as it is the best heat-resisting material. As insulators, a number of substitutes have been tried in Japan, but none of them has been found to excel mica as a heat-resisting substance. Inspite of the fact that Japan is usually India's third best customer of mica, and has increased her purchases in recent years, her share in India's total exports has not been considerable.

*Exports of Mica from India.*

| — | Quantity (in cwts.). | | | Value (in 000 rupees) | | |
|---|---|---|---|---|---|---|
| | To Japan | Total exports | Japan's share in percentage | To Japan | Total exports. | Japan's share in percentage. |
| 1935-36 | 9,424 | 166,649 | 5 7 | 486 | 8,349 | 5·8 |
| 1936 37 | 9,655 | 179,594 | 5 4 | 657 | 9,406 | 7 |
| 1937-38 | 10,232 | 293,971 | 3 5 | 1,302 | 14,840 | 8 8 |

Japan, however, buys mica mostly from India. Of late, Brazilian mica has appeared in the market and has been offering competition to the Indian product. The Brazilian mica of the standard ruby quality has been found to be a little stained as compared with Indian mica of the same grade. The former is however likely to prove a successful rival to Indian mica because of its lower prices. The demand is also met to some extent by imports from Canada, but the quality of Canadian mica is not good and the price is relatively high.

There is no open market where buying and selling transactions are done. The importer sells the goods to the consumer at prices privately contracted between the two. [illegible] these prices, it appears that the importers [illegible] nerally higher than the price at which he [illegible] bout 10 per cent. The

following figures indicate the general standard of prices at which Indian e porters have sold mica to Japanese importers during the period under review :—

## *Indian Mica.*

### Mica Blocks (Standard Ruby quality).

*Prices during May 1937 to March 1938—*

| | Rs. | A. | P. | |
|---|---|---|---|---|
| No. 4 | 3 | 13 | 0 | per lb. c.i.f. Japan. |
| No. 3 | 6 | 2 | 0 | |
| No. 2 | 8 | 0 | 0 | |
| No. 1 | 9 | 2 | 0 | |
| Special Number | 16 | 0 | 0 | |

## *Mica Splittings.*

*Prices during May 1937 to December 1937—*

Mica splittings—

| | Rs. | A. | P. | |
|---|---|---|---|---|
| Ordinary | 0 | 9 | 0 | per lb. c.i.f. Japan. |
| Pan No. 6 | 1 | 2 | 0 | |
| „ „ 5 | 2 | 6 | 0 | |

*Prices during January 1938 to March 1938—*

Mica splittings—

| | Rs. | A. | P. | |
|---|---|---|---|---|
| Ordinary | 0 | 8 | 0 | per lb. c.i.f. Japan. |
| Pan No. 6 | 1 | 0 | 0 | |
| „ „ 5 | 2 | 4 | 0 | |

## *Washer Mica.*

*Prices during May 1937 to December 1937—*

| | Rs. | A. | P. | |
|---|---|---|---|---|
| No. 6 | 0 | 6 | 0 | per lb. c.i.f. Japan. |
| „ 5½ | 0 | 8 | 0 | |
| „ 5 | 0 | 14 | 0 | |

*Prices during January to March 1938—*

| | Rs. | A. | P. | |
|---|---|---|---|---|
| No. 6 | 0 | 6 | 0 | per lb. c.i.f. Japan. |
| „ 5½ | 0 | 8 | 6 | |
| „ 5 | 0 | 15 | 0 | |

Mica Blocks Nos. 2, 3, and 4, Splittings Pan No. 6 and Washer Mica No. 5 command good demand in the Japanese market.

The following are the prices at which Brazilian and Canadian Mica Blocks were delivered in Japan at the end of first quarter of March 1938 :—

## *Brazilian Mica (Price in American dollar).*

### Mica Block (Ruby quality).

| | | |
|---|---|---|
| No. 6 | 35 cents | per lb. c.i.f. Japan. |
| „ 5½ | 65 cents | |
| „ 5 | 90 cents | |
| „ 4 | $1·30 | |
| „ 3 | $1·80 | |
| „ 2 | $2·00 | |
| „ 1 | $3·00 | |
| Special | $3·60 | |

*Canadian Mica (Price in American dollar).*

Mica Block (Amber quality).

| | | |
|---|---|---|
| No. 6 | 30 cents | per lb. c.i.f. Japan. |
| " 5 | 60 cents | |
| " 4 | $1·20 | |
| " 2 | $2·00 | |

(Prices of No. 3 and No. 1 are not available, as there was practically no demand.)

The following is the import tariff applicable to Mica in Japan :—

| — | General Tariff. | | Specific duty by Law No. 4, 1932. |
|---|---|---|---|
| | Units. | Rates of duty. | |
| Mica and manufactures thereof not otherwise provided for— | | | |
| 1. In slab or powder | .. | Free. | .. |
| 2. Sheets— | | | |
| A. Uncoloured or unornamented | .. | Free. | .. |
| B Others | *Ad valorem* | 25 per cent | .. |
| 3. Sheets glued together or Mica glued on tissue, paper, etc. | 100 kin | Yen 38 10 | Yen 51 43 |
| 4. Others | *Ad valorem* | 20 per cent | .. |

(8) Oilseeds.

The intensive cultivation undertaken
North China and South Seas Mandated .
course of time Japan will attain self-suf.
At present large quantities of oilseeds have to be imported for pressing oil not only for internal consumption, both for everyday domestic and industrial uses, but also for export trade. The following table shows imp
into Japan with India's contribution :—

*Total Imports of Oilseeds.*

| — | Quantity (in 000 piculs). | | Value (in 000 yen). | |
|---|---|---|---|---|
| | Total imports. | India's Share. | Total imports. | India's Share. |
| 1935 | 5,466 | 11 | 40,765 | 82 |
| 1936 | 5,236 | 101 | 42,896 | 1,129 |
| 1937 | 4,597 | 178 | 40,545 | 2,459 |
| 1938, January to March | 946 | 12 | 8,756 | 161 |

## (10) Tobacco, Unmanufactured.

Production, sale and manufacture of tobacco in Japan is the monopoly of the Government. Its cultivation is conducted under a license system, the icense being renewed yearly. During 1937 about 65 million kilograms of tobacco leaves were produced in Japan of which about 55 per cent were represented by domestic species while the remaining were of American species—tobacco adapted in Japan from the yellowish American varieties.

The following exports of tobacco, raw and manufactured, were made during the past five years :—

*(In 000 Yen.)*

| — | Tobacco leaves. | Manufactured tobacco. |
|---|---|---|
| 934 | 8,412 | 1,024 |
| 935 | 7,961 | 2,241 |
| 936 | 10,234 | 758 |
| 937 | 6,184 | 409 |

Japan is also an importer of tobacco leaves. The following figures show r import trade in tobacco leaves with India's share :—

*Imports into Japan.*

| — | Quantity (in 000 piculs). | | | Value (in 000 Yen.) | | |
|---|---|---|---|---|---|---|
| | From India. | From all countries. | India's share in percentage. | From India. | From all countries. | India's share in percentage. |
| 4 | 23 | 132 | 17·4 | 872 | 8,412 | 10·4 |
| 5 | 13 | 151 | 8·8 | 612 | 9,309 | 6·6 |
| 6 | 19 | 93 | 20·6 | 820 | 10,235 | 8·0 |
| 7 | 32 | 66 | 48·5 | 1,121 | 6,184 | 18·1 |
| 8, January-March | *Nil* | 27 | .. | *Nil* | 2,357 | .. |

During the last four months—December 1937 to March 1938—India ipped abroad unmanufactured tobacco valued at Rs. 24 lakhs. Imports Japan were *nil*.

## II.—Export Commodities.

### (1) Cotton Piecegoods and Yarn.

Exports of piecegoods from Japan are compared with exports to India in the following table :—

*(In millions)*

| — | Total Exports | | Exports to India | |
|---|---|---|---|---|
| | Quantity. | Value. | Quantity. | Value. |
| | Sq yds | Yen | Sq. yds. | Yen |
| 1934 | 2,577 | 492 | 411 | 67 |
| 1935 | 2,725 | 496 | 556 | 85 |
| 1936 | 2,710 | 484 | 480 | 73 |
| 1937 | 2,644 | 573 | 327 | 63 |
| First Quarter of 1938 | 577 | 118 | 98 | 15 |

Distribution of cotton yarn exports is shown below :—

*(In millions)*

| — | Total Exports | | Exports to India. | |
|---|---|---|---|---|
| | Quantity. | Value. | Quantity. | Value. |
| | Piculs. | Yen. | Piculs. | Yen. |
| 1934 | ·194 | 23·5 | 072 | 11·1 |
| 1935 | ·280 | 35 9 | ·135 | 20 1 |
| 1936 | ·332 | 38 3 | ·127 | 18·1 |
| 1937 | ·389 | 54 9 | ·111 | 19 8 |
| First Quarter of 1938 | 075 | 9 7 | ·010 | 3 5 |

The distribution of exports classified according to categories month by month since January 1937 is indicated in the following table. The average price per square yard was 21·7 sen against 18·2 sen in 1935 and 17·8 sen in 1936.

In 1937 the quantity of cotton piecegoods exports as compared with the preceding year showed a decline of 66 million sq. yards, but the value registered an increase of Yen 89 million. Exports during the first quarter of 1938 have been inactive, and have shown a decline both as regards quantity and value. Exports of cotton yarn to India have shown a steady decline.

*Total Exports of Japanese Cotton Textiles Compared with the Share of India, month by month, since January 1937 to March 1938.*

(Upper figures = square yards in million.)
(Lower figures = value in million yen.)

| — | Greys. | | Bleached. | | Printed. | | Dyed in pieces. | | Dyed in Yarn. | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total Exports. | Share of India. | Total Exports. | Share of India. | Total Exports. | Share of India. | Total Exports. | Share of India. | Total Exports. | Share of India. |
| 1937. | | | | | | | | | | |
| January | 60·0 | 10·42 | 48·4 | 3·00 | 34·4 | 5·05 | 26·7 | 0·48 | 20·8 | 0·18 |
| | 10·4 | 1·33 | 8·3 | 0·51 | 7·3 | 1·28 | 6·8 | 0·14 | 4·5 | 0·04 |
| February | 61·7 | 12·42 | 46·2 | 3·17 | 40·2 | 5·40 | 33·1 | 0·75 | 24·0 | 0·22 |
| | 11·0 | 1·63 | 8·5 | 0·60 | 9·0 | 1·20 | 8·6 | 0·22 | 5·4 | 0·06 |
| March | 66·7 | 15·70 | 61·6 | 5·29 | 52·6 | 6·97 | 38·7 | 1·03 | 29·3 | 0·21 |
| | 11·9 | 2·04 | 11·4 | 1·08 | 11·8 | 1·65 | 10·4 | 0·31 | 6·7 | 0·06 |
| April | 53·6 | 2·05 | 53·2 | 1·74 | 39·6 | 2·92 | 27·0 | 1·28 | 27·3 | 0·23 |
| | 10·5 | 0·44 | 10·3 | 0·23 | 9·1 | 0·60 | 7·8 | 0·41 | 6·6 | 0·08 |
| May | 59·1 | 2·52 | 61·3 | 1·61 | 40·4 | 3·78 | 30·6 | 1·00 | 27·9 | 0·23 |
| | 11·7 | 0·38 | 12·1 | 0·30 | 9·3 | 0·93 | 8·6 | 0·32 | 6·8 | 0·06 |
| June | 61·3 | 2·11 | 53·9 | 2·54 | 35·3 | 4·00 | 31·3 | 1·24 | 27·7 | 0·25 |
| | 12·2 | 0·34 | 11·4 | 0·40 | 8·5 | 1·01 | 9·2 | 0·38 | 7·1 | 0·08 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| July . . . . . . | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 12 8 | 0·53 | 12 1 | 0 84 | 8·7 | 1 85 | 9 3 | 0 70 | 7·2 | 0 16 |
| August . . . . . | 60 1 | 9 81 | 49 5 | 6 75 | 40 2 | 13 57 | 30 0 | 4 03 | 24 6 | 0 73 |
| | 11·0 | 1·43 | 10 2 | 1 25 | 10 2 | 3 45 | 9 2 | 1 22 | 6 4 | 0 22 |
| September . . . . . | 85 1 | 14·32 | 57·1 | 20·03 | 45 0 | 15·51 | 36·7 | 4 57 | 25 4 | 1·18 |
| | 15 4 | 2 05 | 10 8 | 3 50 | 11·1 | 3 88 | 11·3 | 1·27 | 6 4 | 0 32 |
| October . . . . . | 82 7 | 15·16 | 49·9 | 9 61 | 44·5 | 12·43 | 37·1 | 2 93 | 29 7 | 1 57 |
| | 14·6 | 2·14 | 9·4 | 1·61 | 10·7 | 2 86 | 11 4 | 0 83 | 7 2 | 0 38 |
| November . . . . . | 71·2 | 14·60 | 44 6 | 6·09 | 39 1 | 10 48 | 29 7 | 1 86 | 28 4 | 1·30 |
| | 12 5 | 2 00 | 8·5 | 1 01 | 9 2 | 2 34 | 8·7 | 0 54 | 6 9 | 0 31 |
| December . . . . . | 75 9 | 15 06 | 61 5 | 8 89 | 49 3 | 13 96 | 34·9 | 2 26 | 34 8 | 1·95 |
| | 13 1 | 2 05 | 11·4 | 1·53 | 11 2 | 3·08 | 9 9 | 0 58 | 8·2 | 0 47 |
| 1938. | | | | | | | | | | |
| January . . . . . | 56 7 | 15·37 | 38 3 | 7·00 | 24·5 | 5·80 | 20 0 | 1·37 | 18 0 | 0·83 |
| | 9 3 | 1·96 | 6 9 | 1·04 | 6 5 | 1·26 | 5 5 | 0 32 | 4 0 | 0·20 |
| February . . . . . | 58·4 | 18 90 | 39 6 | 4 89 | 39 3 | 8·05 | 23 5 | 1 87 | 20 7 | 0·30 |
| | 9·7 | 2 37 | 7 3 | 0·74 | 8·7 | 1·74 | 6·6 | 0·47 | 4 6 | 0 17 |
| March . . . . . | 80 0 | 22 46 | 56 0 | 8 04 | 36·3 | 4 68 | 23 9 | 0 97 | 21·9 | 0 77 |
| | 14·4 | 2 80 | 11 0 | 1·29 | 8 7 | 1·05 | 7·4 | 0 23 | 4 7 | 0·18 |

The following table supplied by the Japan Cotton Textile Exporters' Association for India shows, in regard to exports, variations under each category as compared with the quota allotted under the Indo-Japanese protocol.

*Details of Cotton Textiles Exported to India in the 4th Year.*

| — | Greys. | Bordered Greys. | Bleached | Prints. | Dyed in pcs., and in yarn. | Total. | Fents. |
|---|---|---|---|---|---|---|---|
| | (Yards.) | (Yards.) | (Yards.) | (Yards.) | (Yards.) | (Yards.) | (Lbs.) |
| THE FIRST PERIOD. (*From April to September 1937*). | | | | | | | |
| Quota for the 1st period of 4th year | 64,440,000 | 20,227,000 | 21,480,000 | 39,380,000 | 33,473,000 | 179,000,000 | 895,000 |
| Brought forward from 2nd period of 3rd year | 10,121,516 | 3,177,032 | 1,978,634 | 5,255,578 | 4,167,240 | 25,000,000 | .. |
| Re-exportation (December to May) | 13,260,320 | 1,079,588 | 10,062,712 | 5,530,565 | 3,084,771 | 33,017,956 | .. |
| TOTAL | 87,821,836 | 24,483,620 | 33,521,346 | 50,166,143 | 41,025,011 | 237,017,956 | 895,000 |
| Certified for exportation | 26,004,065 | 5,397,040 | 35,051,844 | 55,111,586 | 17,858,154 | 139,422,689 | 1,220,815 |
| Balance | 61,817,771 | 19,086,580 | —1,530,498 | —4,945,443 | 23,166,857 | 97,595,267 | —325,815 |
| THE SECOND PERIOD. (*From October 1937 to March, 1938*). | | | | | | | |
| Quota for 2nd period of 4th year | 64,440,000 | 23,270,000 | 21,480,000 | 39,380,000 | 30,430,000 | 179,000,000 | 895,000 |
| Brought forward from 1st period | 9,000,000 | 3,250,000 | 3,000,000 | 5,500,000 | 4,250,000 | 25,000,000 | .. |
| Re-exportation (June to November) | 9,576,310 | 235,000 | 10,418,995 | 2,618,029 | 2,647,982 | 25,496,316 | .. |
| TOTAL | 83,016,310 | 26,755,000 | 34,898,995 | 47,498,029 | 37,327,982 | 229,496,316 | 895,000 |
| Quantity certified for export | 44,491,372 | 19,119,939 | 34,752,493 | 48,684,667 | 6,931,320 | 153,979,791 | 885,247 |
| Balance | 38,524,938 | 7,635,061 | 146,502 | —1,186,638* | 30,396,662 | 75,516,525 | 9,753 |

* Quantity exported in excess.

## (2) Rayon.

The following table illustrates the very rapid progress made by Japan in the production of rayon :—

*World Production of continuous filament Rayon.*

*(In million lbs.)*

| — | 1937. | 1936. | 1935. | 1934. |
|---|---|---|---|---|
| Japan | 336 60 | 277·20 | 239 80 | 152 50 |
| U. S. A. | 312 80 | 275·40 | 255 00 | 199·50 |
| Germany | 128·50 | 121·00 | 102 50 | 91·75 |
| Great Britain | 120·70 | 115 60 | 110·75 | 105·40 |
| Italy | 103·75 | 87·10 | 85·25 | 90·60 |
| France | 47·50 | 46·50 | 51·15 | 63·15 |
| Holland | 21·60 | 20 80 | 20 30 | 23·40 |
| Belgium | 17·50 | 14 10 | 13 75 | 9·20 |
| Canada | 14 00 | 13·50 | 13·40 | 10·10 |
| Poland | 12 65 | 10·75 | 10 00 | 10·00 |
| Russia | 12 25 | 12·25 | 12 00 | 11·00 |
| Switzerland | 10 80 | 9 00 | 10 20 | 8 90 |
| All others | 20·90 | 21·85 | 20 50 | 14 20 |
| World output | 1,159·55 | 1,025 05 | 945·20 | 789·70 |

Since 1934 Japan increased her rayon output by 113 per cent. The World consumption of rayon has kept pace with the increase of production. In 1937 it amounted to 1,023 million lbs. as compared with 913 million lbs. for 1934, showing an advance by 42·9 per cent, but the progress as against 1936 was only 4·9 per cent.

Exports of rayon yarns from different countries are compared in the following table :—

*(In million lbs.)*

| From | 1937. | 1936. | 1935. | 1934. |
|---|---|---|---|---|
| Japan | 56·4 | 44·3 | 31·30 | 22 20 |
| U. S. A. | 1·30 | 1·85 | 2 25 | 2 55 |
| Germany | 14·95 | 10·30 | 11·50 | 12·40 |
| Great Britain | 14·15 | 8 10 | 9 60 | 10 85 |

| From | 1937. | 1936. | 1935. | 1934. |
|---|---|---|---|---|
| Italy | 58·30 | 50·50 | 43·80 | 46·50 |
| France | 11·40 | 10·45 | 14·65 | 22·35 |
| Holland | 18·20 | 15·50 | 16·20 | 18·50 |
| Belgium | 5·60 | 5·90 | 6·40 | 7·90 |
| Switzerland | 8·60 | 7·90 | 7·30 | 8·75 |
| All others | 2·65 | 3·30 | 4·55 | 5·25 |

The following tables show the quantity of rayon yarn and rayon piecegoods exported from Japan to leading countries abroad :—

*Rayon Yarn.*

*(In million lbs.)*

| | 1936. | 1937. |
|---|---|---|
| British India | 14·0 | 30·7 |
| Mexico | 3·8 | 7·2 |
| Kwantung and China | 16·0 | 7·0 |
| Netherlands Indies | 1·3 | 3·4 |
| Other countries | 9·2 | 8·1 |
| TOTAL | 44·3 | 56·4 |

Indian consumption in 1937 was more than double of that in 1936.

*Rayon Piecegoods.*

*(In million sq. yards).*

| | 1936. | 1937. |
|---|---|---|
| British India | 92·1 | 94·9 |
| Netherlands Indies | 51·6 | 46·8 |
| Australia | 58·5 | 42·3 |
| Kwantung | 56·6 | 39·3 |
| Hongkong | 26·9 | 27·3 |
| Philippine Islands | 35·4 | 25·3 |
| Iraq | 16·2 | 22·1 |
| Union of South Africa | 14·3 | 16·9 |
| French Morocco | 16·8 | 14·6 |
| Uruguay | 23·4 | 13·4 |
| New Zealand | 14·2 | 13·1 |
| Siam | 16·8 | 12·1 |
| Straits Settlements | 9·8 | 11·00 |
| Panama | 11·5 | 9·5 |
| Ireland | 5·6 | 7·7 |
| Manchukuo | 2·2 | 7·2 |
| Curacao | 5·8 | 5·7 |
| China | 1·7 | 5·1 |
| Other countries | 68·9 | 70·8 |
| TOTAL | 528·3 | 485·1 |

The comparative percentages of consumption of rayon in 1936 and 1937 are stated below :—

| | 1936. | 1937. |
|---|---|---|
| | Per cent. | Per cent. |
| Exports of rayon yarn | 16·1 | 19 6 |
| „ „ textiles | 34 | 30 |
| „ to Korea | 7·3 | 11·4 |
| „ of rayon manufactures | 7·9 | 8 3 |
| Consumption in Japan | 34·7 | 30 6 |
| TOTAL | 100·00 | 100 00 |

Exports of rayon yarn and textiles month by month during the last and previous financial years are indicated in the following tables :—

*Rayon Textiles.*

*(Million sq. yards.)*

| | TOTAL. | | TO INDIA. | |
|---|---|---|---|---|
| | 1937-38. | 1936-37. | 1937-38. | 1936-37. |
| April | 36·9 | 49·3 | 6·6 | 7·6 |
| May | 42·6 | 50·7 | 5 5 | 7 8 |
| June | 42·3 | 44·4 | 5·2 | 6 3 |
| July | 40 5 | 41·8 | 5 8 | 6 2 |
| August | 33 5 | 42 3 | 5·7 | 7·1 |
| September | 43·1 | 42 8 | 7·1 | 9·8 |
| October | 44·5 | 45·6 | 11·3 | 9 6 |
| November | 40·6 | 40·5 | 9·6 | 7·3 |
| December | 43 0 | 56·5 | 9·8 | 11·5 |
| January | 27·6 | 36·9 | 5·5 | 8·6 |
| February | 30·2 | 35 9 | 3·5 | 9·4 |
| March | 31·6 | 44·6 | 1·8 | 10·3 |

*Rayon Yarn.*

*(Million lbs.)*

| — | Total. | | To India. | |
|---|---|---|---|---|
| | 1937-38. | 1936-37. | 1937-38. | 1936-37. |
| April | 4·2 | 5·1 | 2·3 | 1·3 |
| May | 6·0 | 3·7 | 3·2 | 1·3 |
| June | 5·9 | 2·7 | 2·6 | 1·0 |
| July | ·4 | 2·9 | 2·5 | 0·7 |
| August | 3·6 | 3·0 | 1·6 | 1·0 |
| September | 5·7 | 2·6 | 3·5 | 1·2 |
| October | 7·7 | 4·7 | 5·5 | 1·3 |
| November | 4·8 | 2·8 | 2·4 | 1·2 |
| December | 3·4 | 5·2 | 1·5 | 2·2 |
| January | 1·6 | 3·3 | 0·7 | 1·8 |
| February | 2·5 | 2·8 | 0·6 | 1·6 |
| March | 2·6 | 3·6 | 0·4 | 2·2 |

In 1937 the situation during the first and the closing six months differed greatly as the latter half showed not only a heavy decline in domestic consumption, but an entire falling off of the demand from China as a result of the hostilities. Exports of yarn to India during the latter half of the year were however heavy and were presumably the outcome of the tendency for yarn to take the place of textiles. The general falling off in the exports in rayon textiles may be attributed to the high import duties prevailing in British India and other places, the impossibility of the trade with China and the tendency noticed in the case of India which is apparent also in the Netherlands East Indies, Mexico and Argentine to switch over from textiles to yarn. The first quarter of 1938 has witnessed a further worsening of the situation so far as rayon is concerned. It is true that demand for rayon has increased substantially within the country reflecting the shortage in the supply of cotton goods, but this betterment in the domestic trade has been more than offset by the unfavourable condition of the export business which has resulted principally from the sharp decreases in the shipments to British India. At the end of March the surplus stocks had risen to 554,000 cases inspite of the fact that the rayon mills are operating at 49·1 per cent of their capacity. The situation was causing anxiety to the trade and the view was expressed that it may be necessary to curtail production further and simultaneously to adopt aggressive methods to promote the export trade.

### (3) Staple Fibre.

The development of the staple fibre industry in Japan as compared with other countries is illustrated in the following table :—

*World Production of Staple Fibre (million lbs.).*

| — | 1937. | 1936. | 1935. | 1934. |
|---|---|---|---|---|
| Germany | 173 50 | 99 00 | 34·30 | 19 20 |
| Japan | 155 30 | 46 30 | 13·40 | 5·40 |
| Italy | 150 80 | 108 90 | 65·30 | 21·30 |
| Great Britain | 34 60 | 27 00 | 9·90 | 3 80 |
| U. S. A. | 19 00 | 12·10 | 6 05 | 2 50 |
| France | 13 50 | 11·70 | 7·90 | 4·50 |
| Poland | 3 20 | 1·40 | 0 75 | 0 65 |
| Holland | 1·40 | 0 95 | .. | .. |
| Others | 1 00 | 0 40 | .. | .. |
| Total | 552 30 | 306 75 | 137 60 | 57·35 |

As compared with 1934 staple fibre output rose in Germany more than nine times, in Italy over seven times, in Great Britain almost exactly nine times, in the United States not quite eight times, in France three times, but *in Japan nearly twenty-nine times.*

Exports of staple fibres and yarns from producing countries are shown in the following table :—

(In million lbs.)

| | 1937. | 1936. |
|---|---|---|
| Japan | 26 75 | 8·45 |
| Germany | 16·70 | 9 50 |
| Great Britain | 6·40 | 3·75 |
| Italy | 35 50 | 30·80 |
| France | 4·95 | 4·30 |
| Total | 90 30 | 56·80 |

Exports of staple fibre, piecegoods and yarn to India during the year 1937-38 are shown below :—

| — | (1,000 sq. yds.) PIECEGOODS. | | (1,000 kin.) FIBRE. | | (1,000 kin.) YARN. | |
|---|---|---|---|---|---|---|
| | Total. | To India. | Total. | To India. | Total. | To India. |
| 1937— | | | | | | |
| January to June | 4,010 | 340 | 87,568 | 1,333 | 27,668 | 4,595 |
| July | 1,625 | 46 | 14,641 | 32 | 5,666 | 660 |
| August | 1,157 | 59 | 3,818 | .. | 4,715 | 666 |
| September | 2,121 | 44 | 3,611 | 2 | 5,842 | 1,571 |
| October | 2,214 | 32 | 567 | 45 | 4,945 | 2,497 |
| November | 1,856 | 76 | 858 | 39 | 3,814 | 2,016 |
| December | 2,511 | 91 | 572 | 2 | 8,775 | 2,732 |
| 1938— | | | | | | |
| January | 1,608 | 22 | 149 | .. | 5,563 | 2,671 |
| February | 1,310 | 28 | 139,419 | .. | 635,376 | 266,010 |
| March | 2,756 | 45 | 2,646 | .. | 348,152 | 91,536 |

The above table brings out forcibly the increasing interest India has been taking since the beginning of this year in the imports of staple fibre yarn.

Staple fibre is sometimes called the "patriotic fibre" of Japan, in view of the importance assigned to it in the war-time economy of this country. The first step in this direction was the order issued in November last year requiring compulsory mixing of staple fibre with wool in order to reduce imports from Australia and South Africa. This was followed by abolition of the consumption tax with a view to encourage production. Then again last February cotton manufacturers were compelled to mix more than 30 per cent of staple fibre in cotton products for domestic consumption by an order issued under Article 11 of the Emergency Import and Export Readjustment Law. Staple fibre is thus coming to occupy a position of pre-eminence in the manufacture of textiles in Japan. It may be considered a matter of surprise that so much importance should be attached to staple fibre when the raw material for its manufacture has to be imported from abroad in the same manner as raw cotton. The reasons for this apparent anomally would appear to be :—

(1) the existence of enormous stocks of pulp awaiting utilisation,

(2) the higher expense involved in importing cotton and converting it into textiles, and

(3) the forest resources of the country which promise vastly increased supplies of indigenous pulp in the future.

## (4) SILK.

Japan is the largest silk-producing country in the World and accounts for about 80 per cent of the total world output. The value of raw silk made

up 17 per cent of the total value of Japanese agricultural products for the five years 1929-33, and 37 per cent; of the agrarian population is connected with this industry either fully or partially during the year. The following table shows exports of raw silk from Japan since 1927 and the average price per kin.

*Exports of raw silk.*

| Year. | Quantity (million kin). | Value (million yen) | Price per kin (yen). |
|---|---|---|---|
| 1927 | 52 | 712 | 14 22 |
| 1928 | 55 | 733 | 12 35 |
| 1929 | 58 | 784 | 13 49 |
| 1930 | 48 | 419 | 8·78 |
| 1931 | 56 | 357 | 6·36 |
| 1932 | 55 | 383 | 6 98 |
| 1933 | 48 | 391 | 8 02 |
| 1934 | 51 | 287 | 5 66 |
| 1935 | 55 | 388 | 6 98 |
| 1936 | 51 | 394 | 7 86 |
| 1937 | 47 | 307 | 8 60 |

Exports of raw silk classified by countries during the last four years were as follows :—

(1,000 kin.)

| — | 1934. | 1935. | 1936 | 1937. |
|---|---|---|---|---|
| India | 406 | 1,363 | 728 | 1,099 |
| Great Britain | 2,287 | 2,843 | 2,893 | 3,467 |
| France | 3,657 | 3,479 | 2,770 | 3,026 |
| Italy | 157 | 16 | 1 | 29 |
| Switzerland | 17 | 38 | 16 | 50 |
| U. S. A. | 42,591 | 46,657 | 42,762 | 37,898 |
| Canada | 75 | 12 | 102 | 74 |
| Australia | 552 | 508 | 640 | 863 |
| Others | 854 | 397 | 423 | 831 |

The figures shown above bring out clearly the importance of the market in the U. S. A. to the export trade of Japan in raw silk. The falling off in the demand from America which commenced immediately after the outbreak of hostilities in China and has continued at an increasing pace since then has been responsible for widespread distress. The Indian demand, however, showed improvement and there was a steady increase of exports to British India of Japanese raw silk of low quality termed sub-grade apparently as a result of the stoppage of supplies of raw silk from China.

Exports of silk piecegoods during the last three years to India as compared with total exports are shown below :—

| — | 1935. | 1936. | 1937. |
|---|---|---|---|
| Total quantity (million sq. yds.) | 131 | 121 | 122 |
| Exports to India (million sq. yds.) | 29 | 24 | 26 |
| Total value (million Yen) | 77 | 68 | 72 |
| Total value of exports to India (million Yen) | 18 | 13 | 14 |

A conspicuous feature of the trade in 1937 was the heavy increase in exports of Habutæ due to an improved demand in the U. S. A. As regards Pongee, exports generally increase from November to April and decrease from May to August, but in 1937 there was a comparatively large export in May, June and July and a falling off since August, the heaviest drop being in November. This may be attributed to the business depression in the U. S. A. and the fact that light weight fabrics were extensively exported to India at low prices in April, May and June. The heavy exports during these three months appear to have flooded the market as business in this line since then has shown continued inactivity.

The production of mixed textiles in Japan has been proceeding rapidly and in order to prevent consumers from being misled by the description of the materials offered for sale, the Ministry of Commerce and Industry promulgated an ordinance which came into force on October 1, 1937. The ordinance provides that only such fabrics as are woven with silk yarn shall be deemed to be silk textiles, and anyone either manufacturing or selling fabrics other than a silk textile and using a description indicating a silk textile or any other name which is generally associated with a silk textile shall be liable to punishment.

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## CHAPTER VII.

### Prices.

For a proper appraisement of commodity prices in Japan, the period under review can scarcely be described as normal owing to the repercussions of extensive hostilities in China and the Government's strenuous efforts through various control measures to minimize their effect on the economic structure of the country. In recent years the high commodity prices seen in 1932 were the logical consequence of the inflationary process set in motion with the abandonment of the gold standard towards the close of 1931. From the beginning of 1934 to the end of the third quarter of 1936, the advance was somewhat moderate, but in the autumn of 1936 the price abruptly shot up influenced by several factors such as a great expansion in the national budget, shortage of raw materials, stricter exchange control, firmer quotations in the foreign markets, etc. On the basis of 100 for December 10, 1931, the general index of wholesale price for the first half of 1936 averaged 151·2 as against 159·4 for the second half, the largest advances were observed in respect of imports

(204·8 against 223·4 during the second half) and exports (135·1 against 146·5). In view of the depreciation of the Yen, the advance in imports reflecting raw materials affected severely the economics of industrial production within the country. The wholesale price index for the year 1937 shows 189·4 against 155·3 of 1936, 149·6 of 1935 and 147·5 of 1934. Of the year, April showed the highest rise in commodity prices, the wholesale index in that month registering 196·5. This was an advance of about 29·7 per cent from the corresponding period of the preceding year as against an increase of 20·9 per cent in England and 17·3 per cent. in the U. S. A. during the same period. On the basis of 100 for 1929, the index of wholesale prices for Japan during April 1937 shows 112·8, for England 95·4, the U. S. A. 92·3, Germany 77·1, France 88·0, Italy 90·3, and India (Calcutta) 73·0. The following two months, May and June, however recorded a sharp fall in prices and thereafter till the end of the year the price movement remained steady. Any upward trends brought about by increased demand for armaments and rigid control of foreign trade, were successfully arrested by official control within the country and the gradual deterioration of economic conditions without. Continued shortage in the supplies of both essential and non-essential commodities, due to strict import control and heavy demand for war materials however tended to increase the wholesale prices since the end of 1937. As compared with the index basis of May 1936, wholesale prices in Japan during December 1937 moved up to 129·8 as contrasted to 110·6 in Great Britain and 96·1 in the U. S. A., the most prominent factor in the advance of prices in Japan being the spectacular rise in the prices of imported articles. The culminating point in the increase in commodity prices in 1937-38 was noticed at the end of February, when the wholesale price index rose to 136·9. During the same period prices in Great Britain and the U. S. A. suffered a sharp break, the Japanese increase being 25 per cent as measured by prices in the United Kingdom. As the yen-sterling exchange remained stationary for all practical purposes during the year and the yen-dollar exchange gained strength owing to the improvement of sterling against the dollar, it may be inferred that commodity prices in this country did not respond to the influence of the downward movements in Great Britain and the U. S. A. and have begun to follow a course independent of world price movements. The advance in the wholesale prices has not however been uniform in the various groups of commodities. Metals showed the most conspicuous gain of 61·6 per cent compared with the first half of 1936, followed by industrial chemicals (56·4 per cent), fuel (52·5 per cent) textiles (33·0 per cent), building materials (32·0 per cent), miscellaneous goods for industrial use (22·2 per cent), fertilizers (19·6 per cent), cereals (16·7 per cent), foodstuffs (11·7 per cent), and textile materials (9·1 per cent). The recent advance has obviously been influenced by higher prices of articles for military use and wartime control of supply of commodities, and although textile materials or miscellaneous goods for industrial use have even showed a decline since the beginning of the Sino-Japanese hostilities due to price control measures and lower quotations in foreign markets, textiles, foodstuffs and fuel have showed a conspicuous advance specially from the end of last year. Whereas till April 1937 the advance in wholesale prices was principally confined to imported articles which marked an increase of 38·1 per cent as against an advance of 15·7 per cent in export commodities, since the close of 1937

the former group has shown a downward tendency as a result of lower quot tions in foreign markets while export goods have registered an upward tren It is significant that domestic quotations of import articles have general been much higher than the corresponding prices in foreign markets, special in metals. Quotations for copper, iron, steel, tin, lead, zinc, etc., in domest market are far in excess of quotations abroad. A similar divergence has be noticed in the case of raw cotton. On the export side, the most mark advance in prices was witnessed in cotton tissues, chiefly on account of t restriction on imports of raw cotton.

The retail prices also, during the period under review, have moved upwa considerably in sympathy with the wholesale prices, the advance being mo pronounced in recent months. The commodity groups most affected a fuel and clothing, the index showing an increase of 40 per cent in each of the compared with the first half of 1936, and 32·1 per cent for the former ar 20·6 per cent for the latter compared with June 1937. These increases ha greatly influenced the cost of living. The upward movement of commodit prices has been attracting the attention of authorities in this country for son time past, and various measures have been suggested or devised to chec the advance. The programme set up by the Hayashi Cabinet resolved itse into the following three main points :—

(1) Increase the supply of goods,

(2) Economise in consumption of goods, and

(3) Adjust the distribution of goods.

Of these three, stress was laid on the first which was termed by the Financ Minister as " the measure for expanding the productive power of the nation " It was believed that the difficulty could be tided over if the regulations of th Bank of Japan were so revised as to enable it to lend industrial funds. Thi method would, however, have led to a greater demand for commodities an a further acceleration of the upswing of prices. Regarding economy of con sumption, the Hayashi Government took the lead by economising in the us of iron and steel by departmental officers. At the same time stress was lai on the curtailment or postponement of less urgent imports. Lastly, the adjust ment of distribution of commodities was sought to be brought about by mean of stricter control over speculative dealings by industrialists. The programm of the Konoye Cabinet with regard to commodity prices contained at the com mencement the following three cardinal principles :—

(1) Adjustment of the nation's position in international payments,

(2) Formulation of concrete measures for increasing productive activities, and

(3) Adjustment of the relation of the supply of and demand for commodities.

It was soon realised, however, that so long as the over-riding necessity for controlling exchange which involved drastic control over imports, continued, none of the measures taken in pursuance of the three cardinal princi- ... were likely to prove effective. The exchange control

has been based on the policy of yen-pegging at 1s. 2*d.* to the pound sterling and non-shipment of gold. In order to implement this policy it became necessary with an increase in the demand for arms and ammunition and other wartime necessities of equal importance to restrict imports of peace commodities, and apply the foreign exchange thus saved together with Government-owned gold and foreign securities *plus* annual acquisitions of newly mined gold towards payment of the import bills for these necessities. The restriction on imports, however, led to an increase in the price of imported goods which again raised the cost of production of manufactured goods and acted as a brake on exports reducing again the exchange available for imports and necessitating further stiffening of import restrictions. The vicious circle was thus completed and to add to the difficulties the price of purely domestic goods also advanced partly in sympathy and partly due to the inflationary tendency which has been in evidence for some time. The evil effects of this policy began to be apparent late in 1937 and since then stress has been laid on compulsory price fixing, economy in domestic consumption and direct encouragement of exports. It is, however, fortunate that despite the upward swing of prices, the living conditions in the country have not deteriorated to a considerable extent. The appreciation of living costs has been offset by the full employment of labour and by rising wage rates. The price control measures adopted by Government since the commencement of the China emergency may appropriately be reviewed here.

## PRICE CONTROL MEASURES.

The first step taken by the Government to deal with the rapid rise of prices was the invocation of the Anti-profiteering Law of 1917. This law had originally been enforced in 1917 and applied to grain and eight other articles, but later on it was revised several times widening its scope and extending its application to a large number of articles including metals and metal ores, machines and tools, petroleum, rubber and pulp, lumber, fowls, meat and eggs. Under the provisions of this law, the Government authorities are empowered to demand reports, when necessary, from the trade concerning matters relating to the enforcement of the law, and to order a clear statement of prices to be made by dealers in the articles to which the law applies. The Government have utilized this power to call for weekly reports on 16 articles including benzol, carbolic acid, antimony, copper, mercury, sulphate of ammonia and crude rubber. The reports must indicate the quantities of these articles involved in the weekly transactions, the quantities held in stock, the main business connections of the dealer and the quantities involved in the transactions with these connections, the prices at which the transactions were carried out, and in case of a change in the prices the circumstances which warranted such modification. During September and October, there was an upward tendency in the prices of commodities whose demand and supply relations had been disturbed by the China Affair and in the commodities that had been subjected to import exchange control since the beginning of 1937. The effect of the price movement was directly felt in the case of raw cotton jeopardising the export of cotton manufactures. Accordingly in October the Government having adopted a policy of fixing a maximum

cotton price, secured the organisation of a Cotton Industry Commission consisting of representatives of all cotton interests such as the Japan Cotton Spinners Associations, Cotton Yarn and Tissues Exporters Association, Cotton Dealers Association, Federation of Yarn Dealers Associations, and Federation of Cotton Fabric Industry Associations. On its formation, the Commission immediately fixed maximum prices for certain standard grades of yarn and piecegoods to be effective from November 1 subject to revision on Saturdays. The maximum prices which were calculated on the basis of an agreed formula from the movements of overseas cotton quotations, represented the maximum prices at which producers were in a position to supply the market. It was stipulated that the maximum prices at which the ultimate consumers were to be supplied must not exceed the price limit set down *plus* 2 per cent regardless of the number of intermediate agents. The textile manufacturers, it was soon discovered, were placed in a difficult position when it was found out that some of the exporters and wholesale houses had taken to cornering against the high private quotations. Consequently, the control measure had to be extended to cotton tissues and on November 27 the Commission decided to apply it to jeans and striped drills. A formula was adopted for computing the maximum prices from the movements of cotton yarn quotations, but in other essential points the extended measure did not differ from that applied to cotton yarn. Similarly, the control of cotton yarn through fixing maximum prices was widened to include 10 count, 30 count and 40 count yarn. Control of cotton prices was followed by steps to compel the admixture of staple fibre both in woollen and cotton goods for domestic consumption and as a corollary, maximum prices were also fixed for staple fibre, mixed cotton yarn for domestic consumption and twine. The expectation that pure cotton goods would soon vanish from the market and the fear that their sale might even be prohibited shortly within the country, led to a general rush to purchase and store these goods resulting in an abnormal rise in their prices. Not content with enforcing the anti-profiteering and price fixing measures, the Government since February 1938 has tackled the distributional aspect of the control problem and simultaneously has undertaken to readjust and rationalize the structure for carrying price and distribution control into execution. In the beginning, in order to reinforce the price control policy effectively, some attempts to bring about an adjustment in demand and supply in respect of certain commodities were made in the form of the Regulations Concerning Iron and Steel Construction Permits which came into effect on October 20, the Regulations Concerning the Restriction of Consumption of Copper enforced on November 10, the Regulations Concerning the Consumption of Gold which came into effect on December 28, and the Regulations Concerning the Restriction of the Consumption of Platinum introduced on January 1938. The problem of distribution was taken up subsequently in the light of the recommendations of the Price Commission made in November and also of the encouraging results that had been obtained from the simultaneous price and distribution control in the rubber industry. As a first step the Law Concerning Emergency Measures on Exports and Imports was revised in order to give a legal status to the industrial organisations that had been organised for control purposes within the rubber and cotton industries, and to give legal cœrcive force to their decisions. The revised legislation was

passed by the Diet at its 73rd Session and afterwards a legal body called the Council on Adjustment of Supply and Demand was organised. In addition National and Local Price Commissions were created to function as central organs for carrying out the direct price control policy, while an Emergency Goods Adjustment Bureau was set up to adjust the demand and supply of commodities.

Application of the Government's cotton policy improved to the extent that it was made to embrace distribution control as well as price control, but for a time it advanced no farther. With the inception, however, of the Cotton Adjustment Council and the Cotton Consumption Control Council on January 23, 1938, the scope of the policy was widened. The Cotton Adjustment Council consisting of representatives of the Government and private cotton interests were to meet monthly and discuss and decide upon the quantity of cotton yarn to be produced, both according to counts and in consonance with the trends of domestic and foreign markets. The Cotton Consumption Council which consisted of the representatives of the Department of Commerce and Industry and of the industrial federations concerned was assigned the task of fixing the monthly quotas of cotton yarn to be consumed by the members of the federated associations, and to carry out other details of control over consumption. To consolidate the control system further, the Regulations Concerning Cotton Yarn Distribution Control based on the above emergency law were enforced. They stipulated that consumption of cotton yarn for the domestic market should not be permitted beyond the quotas fixed by the organisations designated by Prefectural Governors or the Minister of Commerce and Industry, and also that consumers could buy yarn only by means of quota cards to be issued by the organisations. Although these Regulations completed the legal system for controlling cotton distribution, the system did not function effectively because the fixed price was a product of voluntary co- [illegible]
wo [illegible]
an [illegible]
du [illegible]
22 [illegible] year with the enforcement of the Regulations for controlling the Selling Prices of Cotton Yarn which prohibited sales at prices in excess of the maximum fixed prices. The principle involved in the fixation of prices of cotton yarn namely the exercise of direct Governmental control of prices, is henceforth to be extended to other commodities.

## PRICE FLUCTUATIONS.

Price fluctuations and their causes month by month are described below:—

(Index on the basis of 100 for December 10, 1931, when Gold Embargo was reimposed.)

*May, 1937.*

The average wholesale price index registered a decline of 1·9 per cent compared with the previous month. The fall was in keeping with the world price

trends. Besides the persistent weakness of foreign markets, political unrest as well as anticipation of stricter Government control contributed to the extensive liquidation in the commodity and security markets. Domestic articles declined about 1·2 per cent, whilst commodities of international consumption lost about 2·1 per cent. The decline was greater in imported articles (4·1 per cent) than in exported goods (1·7 per cent). The price decline was most pronounced in metals (8·5 per cent), building materials (3·0 per cent), textiles (2·8 per cent), whilst chemicals, fuel and fertilizer advanced. There was no change in the retail price index.

The Indian raw cotton quotation which weakened since the third week of April further declined in the middle of May, but firmed up considerably towards the end of the month as against the feeble increase shown by the American and North Chinese cotton.

Japan was hard hit by the soaring iron and steel prices in the world markets early this year as the country stood in great need of importing these materials. The situation was however somewhat eased with the arrival of foreign pig iron and scraps in considerable quantities in May. Quotations accordingly showed some weakness which might also be ascribed to the abolition of import duty in April. The price of pig iron (No. 3) fell to Y.85·50 in May from Y.87·97 of the preceding month, but as compared with the price level of a year ago it constituted an increase of 56 per cent.

Quotations for cotton yarn showed weakness on account of a reduction in export contracts for cotton tissues. Expectations of higher production costs in view of increased difficulties in importing raw cotton checked a further decline in prices. The average price of cotton yarn per bale in May was Y.271·27 as against Y.278·09 in April.

*June, 1937.*

Prices as reflected by the wholesale index were again lower, but firmed up late in the month. The average for the first half of the year was about 25·5 per cent higher than for the corresponding period of the previous year. The downward movement was a continuation of the reactionary decline which started in April and was also considerably influenced by weak foreign markets. The decline during the month was greatest in metals (4·8 per cent), fertilizers (4·0 per cent), building materials (3·7 per cent), etc. Foodstuffs and textile materials advanced. Retail prices declined only slightly, but were still 8·7 per cent higher than a year ago.

Although the average price of raw cotton of different origin for the whole month advanced appreciably, the gain in almost all cases was registered during the first week of the month. Thereafter, the prices moved downward, the American cotton quotations showing a steeper decline as compared with the Indian.

Pig iron market showed considerable activity, and quotations for July-September delivery advanced by 4 Yen. Steel quotations continued to decline on account of weaker foreign markets and expected Government intervention.

Cotton yarn advanced despite lower quotations for American raw cotton. The advance was due to improved political conditions and expectations of higher uture manufacturing costs.

*July, 1937.*

The progress made by the wholesale prices towards the end of June was maintained till the middle of July, when it was checked as the result of the China Incident and downward tendencies on foreign markets. The average registered a slight gain of 0·6 per cent compared with the previous month, and marked an increase of 23·3 per cent over the price level of a year ago. Metals, foodstuffs, and fertilizers advanced for a time due to the expectation of extensive hostilities in China, whilst textile goods declined. Retail prices also soared up slightly.

Raw cotton quotations which declined during the second-half of the preceding month weakened further towards the end of July, the American varieties having firmed up only slightly in the middle of the month. The yarn quotations also declined rather sharply in sympathy with the raw cotton price position as well as in view of the situation in China.

The pig iron market, as usual, continued to be active, quotations having advanced by Y.3·10 to Y.88·60. Steel products also witnessed an upward trend greatly influenced by the China Incident.

*August, 1937.*

Commodity prices witnessed little change on the whole, the anti-profiteering law and the weakness of world prices acting as a brake to an advance which might have been inspired by the hostilities in China.

As compared with the average quotations for the previous month the American raw cotton prices declined much more sharply than the Indian. Cotton yarn quotations declined sharply in consequence of the political situation in China despite dearer domestic raw cotton. The appreciation of the latter in the face of weaker American raw cotton prices was due to the strict control over raw cotton imports.

There was no actual change in the price of pig iron. Steel products however advanced only a little, as a result of the restrictions imposed under the anti-profiteering regulation.

*September, 1937.*

Commodity prices remained practically stationary, the wholesale index registering a slight advance of 0·1 per cent compared with the preceding month though the price level was about 20·4 per cent higher than in the corresponding period of the previous year. Restrictions on imports which would ordinarily lead to higher prices were counter-balanced by the sharp price decline in foreign markets. The slight advance was therefore limited to articles for internal consumption. Fuels, textiles, cereats, fooastuffs advanced, whilst metals, fertilizers, industrial chemicals, raw cotton, etc.,

declined, fluctuation being narrow either way. Retail prices however showed a sharp advance. During the month, permission of raw cotton imports up to 50 million yen was granted for the two months of December and January. Prices of cotton yarn advanced quite sharply along with the increased output of yarns. Production curtailment of yarns for three months from October were increased to 32·4 per cent and to 36·2 per cent for January to meet the expected shortage of raw cotton supplies. There was no change in the pig iron quotation of Y.88·60 which had been prevailing since July. The iron and steel market was also quiet with a tendency for steel plates to decline.

*October, 1937.*

During October, the wholesale index showed a fractional decline of 0·1 per cent but was still 19·6 per cent higher than a year ago. A price advance in a few items relating to armaments was counterbalanced by the pronounced weakness on foreign markets. Government control of prices and national frugality during the China Emergency were some of the factors which prevented an undue rise in prices. Fuel, cereals, fertilizers and building materials showed some advance, while metals, textile materials, textiles and industrial chemicals declined moderately. Retail prices continued to advance as usual, being 0·9 per cent higher than the index for the previous month. Compared with the corresponding period of a year ago, retail prices showed an increase of 12·9 per cent.

Quotations for Indian and American raw cotton further declined, while the North China cotton prices firmed up quite appreciably. Cotton yarn prices were also weaker.

Quotation for pig iron remained almost stationary during the month with a weak tendency. As regards steel, economy in consumption caused a temporary slump in its prices inspite of a shortage of supplies.

*November, 1937.*

The index of wholesale prices moved slightly higher, specially in the case of metals, fuel, fertilizers, cereals, foodstuffs and building materials. This in the case of languishing foreign markets was due to heavy military demand and import restrictions on raw materials. Retail prices were again higher, the index showing a rise of 13·3 per cent compared with the corresponding month of a year ago.

The American and Indian raw cotton prices which entered a period of slump with the advent of the new cotton season, declined further. Cotton yarn also followed in sympathy. The decline in cotton as well as the unsatisfactory transaction of export contracts for tissues had a depressing effect on the market specially in the early part of the month.

The price of pig iron remained unchanged, while steel products moved down a little. The undertone of the iron and steel market however remained very firm.

*December, 1937.*

There was a slight advance in the index of wholesale prices due to the continued shortage in the supply of commodities, the influence of price movements abroad gradually dwindling as the official control of the national economy came more and more into play.

Retail prices reached the highest level since June 1929, showing an advance of 11·2 per cent compared with Dcember 1936. The advance was specially pronounced in foodstuffs and fuel.

There was very little change in the Indian and American raw cotton quotations which advanced slightly towards the end of the month, the Indian varieties firming up more. A most significant fact was the record prices quoted for the North Chinese cotton during this month which were about more than a 100 per cent higher than the quotations offered for the Indian and American groups. The price of the Chinese cotton which had been steadily rising with the beginning of the raw cotton season now reached a climax. Quotations for cotton yarns rose quite appreciably. This was presumably due to the reported advance of raw cotton prices, official control relating not only to cotton imports but also to cotton yarn distribution and the official decision to enforce compulsory admixture of staple fibre in cotton tissues.

Price of pig iron remained stationary with a tendency to rise. Steel prices continued to advance despite extreme economy in consumption. Stocks were low and speculative transactions were severely restricted.

*January, 1938.*

The beginning of the New Year marked an all-round increase in the commodity prices. The wholesale prices advancing only moderately almost regained the high level of May 1937, while retail prices soaring up rather sharply touched the highest mark since May 1929. The rise in wholesale prices has been greatest in cotton tissues, coal, petroleum, industrial chemicals, etc., while purely domestic commodities declined by 0·3 per cent. Price control in the retail trade appeared for the first time in connection with the sale of sulphate of ammonia.

The most remarkable phase about the raw cotton quotations was the sudden collapse of the North China cotton, while the Indian and American varieties firmed up moderately in comparison with the preceding months' prices. Quotations for cotton yarn were steady, an early advance being checked by anticipated maximum prices to be instituted in the near future. Production of cotton yarn for the three months from February to April was fixed at 257,500 bales, a reduction of 12,500 bales from the quota ruling in January.

Pig iron remained at a consolidated price of Y.88·50 which was brought into vogue in October last. The market however continued brisk with prices of steel products staging a further advance.

*February, 1938.*

The advance made by the commodity prices in the preceding months continued. Both the wholesale and retail prices made substantial progress, the

wholesale index figure exceeding the level of April 1937—the highest in 1937—while the retail price index reached the highest recorded since May 1927.

American and Indian raw cotton quotations advanced a little, the American strict middling more strikingly, while the North China cotton prices declined further. Yarn quotations improved on higher cotton markets abroad, but business transactions were greatly impeded by strict official control. The production quota for cotton yarn in April was fixed at 175,000 bales for export and 129,108 bales for domestic consumption.

The price of pig iron remained pegged at Y.88·50, while quotations for steel products tended to be weak, except for plate supplies of which were running short.

*March, 1938.*

The wholesale price index registered a further moderate advance of 0·6 per cent. Retail prices also gained substantially.

Raw cotton prices remained more or less steady. The maximum prices for cotton yarn were lowered.

There was no change in the pig iron position. There was a decided depression in the iron and steel market owing to the official restriction of general supplies.

[illegible]

| | Indian Cotton | | | | | | | | American Cotton | | | | Egyptian (?) Cotton | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | [illegible] | | [illegible] | | [illegible] | | [illegible] | | [illegible] | | Middling Fair (?) | | [illegible] | |
| | Highest | Lowest | Highest | Lowest | Highest | Lowest | Highest | Lowest | Highest | Lowest | Highest | Lowest | Highest | Lowest |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 68·00 | 57·50 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 66·50 | 55·25 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 57·00 | 55·25 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 56·25 | 51·00 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 60·00 | 50·50 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 70·00 | 60·00 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 75·00 | 70·50 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 80·00 | 75·00 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 100·00 | 80·00 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# Cotton Quotations.

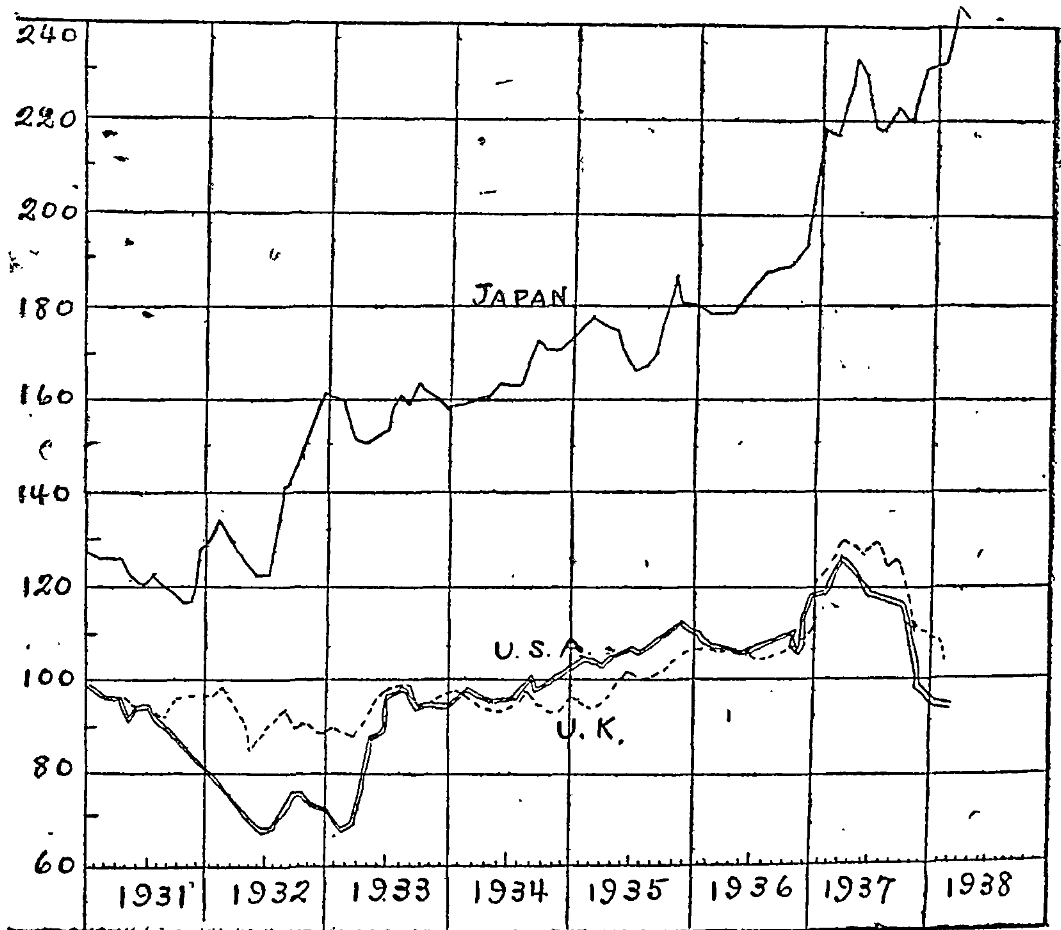
## From April 1937 to March 1938.

Price in Yen

| — | Indian Cotton. | | | | | | | | American Cotton. | | | | Chinese Cotton. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Bengal. | | Akola. | | Hingan. | | Broach. | | Strict Middling. | | Strict Low Mid. | | Tientsin. | |
| 1937. | | | | | | | | | | | | | | |
| April 5 | 51·50 | | 57·00 | | 59·00 | | 61·00 | | 83·00 | | 78·00 | | 56·50 | |
| 15 | 50·00 | 50·08 | 56·25 | 56·00 | 58·25 | 57·92 | 59·50 | 59·66 | 81·00 | 80·83 | 76·00 | 75·83 | 58·00 | 57·08 |
| 23 | 48·75 | | 54·75 | | 56·50 | | 58·50 | | 78·50 | | 73·50 | | 56·75 | |
| May 6 | 48·50 | | 54·25 | | 55·50 | | 57·25 | | 78·00 | | 73·00 | | 56·00 | |
| 15 | 47·75 | 48·42 | 53·00 | 54·08 | 54·75 | 55·75 | 56·75 | 57·67 | 77·00 | 77·58 | 72·00 | 72·58 | 55·25 | 55·75 |
| 26 | 49·00 | | 55·00 | | 57·00 | | 59·00 | | 77·75 | | 72·75 | | 56·00 | |
| June 5 | 52·00 | | 57·50 | | 59·50 | | 61·50 | | 80·50 | | 75·50 | | 57·00 | |
| 16 | 51·00 | 51·25 | 56·75 | 56·83 | 58·75 | 58·75 | 60·75 | 60·58 | 78·00 | 78·92 | 73·00 | 73·92 | 55·75 | 56·25 |
| 25 | 50·75 | | 56·25 | | 58·00 | | 59·50 | | 78·25 | | 73·25 | | 56·00 | |
| July 6 | 49·00 | | 54·00 | | 56·00 | | 58·00 | | 75·00 | | 70·00 | | 54·25 | |
| 16 | 49·00 | 47·83 | 54·00 | 52·83 | 56·00 | 54·83 | 58·00 | 56·83 | 76·00 | 74·00 | 71·00 | 69·00 | 54·50 | 53·92 |
| 26 | 45·50 | | 50·50 | | 52·50 | | 54·50 | | 71·00 | | 66·00 | | 53·00 | |
| August 6 | 43·50 | | 48·75 | | 51·00 | | 53·25 | | 67·75 | | 62·75 | | 52·00 | |
| 16 | 44·00 | 44·83 | 49·00 | 50·25 | 51·00 | 52·83 | 53·50 | 55·08 | 68·50 | 68·08 | 63·50 | 63·08 | 51·50 | 53·83 |
| 26 | 47·00 | | 53·00 | | 56·50 | | 58·50 | | 68·00 | | 63·00 | | 58·00 | |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| September 6 | 49 00 | | 55 00 | | 58 00 | | 61 00 | | 70 00 | | 65 00 | | 65·00 | |
| 14 | Cotton Exchange Closed. | | | | | | | | | | | | 75 00 | 71 00 |
| 24 | 40 00 | | 55·00 | | 58 00 | | 61·00 | | 70 00 | | 65 00 | | 73 00 | |
| October 6 | 35 00 | | 39 25 | | 40 50 | | 42 00 | | 50 25 | | 45 50 | | 71 00 | |
| 15 | 36 00 | 38 75 | 39 00 | 38 83 | 40 50 | 40 25 | 42 00 | 41·75 | 51 00 | 50 58 | 46 00 | 45 66 | 72 50 | 72 83 |
| 26 | 45 25 | | 38 25 | | 39 75 | | 41·25 | | 50 50 | | 45 50 | | 75 00 | |
| November 5 | 34 25 | | 37 00 | | 38 50 | | 40 00 | | 48·75 | | 43 75 | | 77 00 | |
| 15 | 35·50 | 35 33 | 38 00 | 37 83 | 39 50 | 39 25 | 41 00 | 40 75 | 49 50 | 49 08 | 44 50 | 44·08 | 80 00 | 79 00 |
| 26 | 36 25 | | 38 50 | | 39 75 | | 41 25 | | 49·00 | | 44 00 | | 80 00 | |
| December 6 | 36 50 | | 30 00 | | 40 25 | | 41 50 | | 49 00 | | 44 00 | | 90 00 | |
| 14 | 37 00 | 37·16 | 39 50 | 39 66 | 40 75 | 41 00 | 42 00 | 42 25 | 49 50 | 49 75 | 44 50 | 44·92 | 100 00 | 96 66 |
| 22 | 38 00 | | 40 50 | | 42 00 | | 43 25 | | 51 25 | | 46 25 | | 100 00 | |
| 1938. | | | | | | | | | | | | | | |
| January 6 | 37 00 | | 41 00 | | 42 50 | | 44 00 | | 51 50 | | 46 50 | | 60·00 | |
| 15 | 37 00 | 37 00 | 41 25 | 41 16 | 42·75 | 42 58 | 44 00 | 44 00 | 52 00 | 51 83 | 47 00 | 46 83 | 60 00 | 60 00 |
| 26 | 37 00 | | 41 25 | | 42 50 | | 44 00 | | 52 00 | | 47 00 | | 60 00 | |
| February 5 | 36 75 | | 41 00 | | 42·25 | | 44 00 | | 52 00 | | 47 00 | | 00 00 | |
| 15 | 37 50 | 37·25 | 42 00 | 41 75 | 44 00 | 43 50 | 45 00 | 44·83 | 53 25 | 53 50 | 48·25 | 48 50 | 50 00 | 53 33 |
| 25 | 37 [illegible]0 | | 42 25 | | 44 25 | | 45 50 | | 55 25 | | 50·25 | | 50 00 | |
| March 5 | 36 25 | | 40 75 | | 42 50 | | 44 50 | | 54 50 | | 49 50 | | 51 50 | |
| 16 | 45 25 | 41·75 | 39 25 | 39 42 | 41 50 | 41·50 | 43 25 | 43 83 | 54 00 | 53 75 | 40 00 | 48 75 | 51 50 | 52 66 |
| 25 | 43·75 | | 38 25 | | 40 50 | | 43 75 | | 52 75 | | 47 75 | | 55 00 | |

WHOLESALE PRICES (END OF JANUARY 1913=100).



## *Wholesale Prices in Tokyo, London and New York.*

(January, 1913=100.)

| End of Month. | In Yen. | Converted to U. S Dollars. | In Sterling | Converted to U. S Dollars | New York. |
|---|---|---|---|---|---|
| 1935 Average | 175·4 | 100 5 | 101 1 | 101 8 | 98·1 |
| 1936 Average | 186 0 | 108·1 | 107·1 | 100 3 | 107·4 |
| 1937 Average | 223 6 | 120 3 | 121·8 | 123 8 | 115 4 |
| 1937— | | | | | |
| January | 219·3 | 125 9 | 119 4 | 120 2 | 118·7 |
| February | 217 5 | 124 4 | 121·3 | 121 9 | 120 0 |
| March | 232 4 | 132 0 | 128 6 | 129 3 | 124 0 |
| April | 226·7 | 131 3 | 126 3 | 128 4 | 121·7 |
| May | 218 5 | 126 0 | 126 8 | 128 6 | 119 9 |
| June | 215 3 | 124 2 | 124 3 | 126 1 | 119 2 |
| July | 221 5 | 128·9 | 124 9 | 127·7 | 118 3 |
| August | 219 7 | 127 8 | 122 8 | 125 4 | 115·8 |
| September | 221·6 | 128 4 | 121·2 | 123 3 | 114·7 |
| October | 226 9 | 131·4 | 119 0 | 121 3 | 109·4 |
| November | 231·4 | 135 2 | 113 5 | 116 5 | 103·3 |
| December | 232 0 | 135 6 | 113 8 | 116 9 | 98 9 |
| 1938— | | | | | |
| January | 237 4 | 138 7 | 113 8 | 117 3 | 96 6 |
| February | 244 6 | 143 5 | 111 3 | 114 8 | 95·8 |
| March | 242 1 | 140 6 | 109 3 | 111·4 | 95·3 |

## *Retail Prices and Cost of Living.*

(July, 1914=100.)

| Year and Month. | Retail Prices. | Cost of Living | | | | | |
|---|---|---|---|---|---|---|---|
| | | Food. | Housing. | Fuel and Light. | Clothing. | Culture. | All Items. |
| 1935 Average | 152 | 160 | 233 | 178 | 146 | 181 | 181 |
| 1936 Average | 159 | 173 | 233 | 183 | 151 | 184 | 185 |
| 1937 Average | 174 | 181 | 233 | 199 | 168 | 189 | [illegible] |
| 1937— | | | | | | | |
| January | 170 | 172 | 233 | 194 | 168 | 184 | [illegible] |
| February | 171 | 176 | 233 | 195 | 167 | 184 | [illegible] |
| March | 171 | 176 | 233 | 191 | 168 | 185 | [illegible] |
| April | 172 | 180 | 233 | 191 | 169 | 186 | [illegible] |
| May | 172 | 181 | 233 | 192 | 168 | [illegible] | [illegible] |
| June | 171 | 181 | 233 | 194 | 168 | [illegible] | [illegible] |
| July | 172 | 183 | 233 | 195 | 168 | [illegible] | [illegible] |
| August | 174 | 184 | 233 | 197 | 165 | [illegible] | [illegible] |
| September | 178 | 184 | 233 | 200 | 168 | [illegible] | [illegible] |
| October | 179 | 184 | 233 | 208 | [illegible] | [illegible] | [illegible] |
| November | 180 | 183 | 233 | 214 | [illegible] | [illegible] | [illegible] |
| December | 182 | 186 | 233 | 217 | 171 | [illegible] | [illegible] |
| 1938— | | | | | | | |
| January | 185 | 188 | 233 | 224 | [illegible] | [illegible] | [illegible] |
| February | 190 | 189 | 233 | 225 | [illegible] | [illegible] | [illegible] |
| March | 193 | 190 | 234 | [illegible] | [illegible] | [illegible] | [illegible] |

## Prices and Employment.

| — | Wholesale Price Indices. 76 Commodities (December 10, 1931=100). General. | Goods for domestic consumption (14 art.). | Goods for international consumption (62 art.). | 20 Commodities Weighted (Average for 1903-14=100) General. | Producers' goods (10 art.). | Consumers' goods (10 art.). | Retail Price Index July, 1914 =100. | Cost of Living Index (July, 1937=100). Working class. | Salaried persons. | Labour Indices (Average for 1926=100). Actual earnings. | Rates of wages. | Employment. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1929 (Average) | .. | .. | .. | 169 | 167 | 171 | 181 | | | 103·9 | 98·6 | 91·1 |
| 1930 ( " ) | .. | .. | .. | 132 | 120 | 145 | 155 | | | 98·7 | 96·2 | 82·0 |
| 1931 ( " ) | 100 | 100 | 100 | 105 | 100 | 110 | 136 | | | 90·7 | 91·3 | 74·5 |
| 1932 ( " ) | 121 | 103 | 124 | 116 | 109 | 123 | 137 | | | 88·1 | 88·1 | 74·7 |
| 1933 ( " ) | 144 | 111 | 151 | 132 | 133 | 130 | 146 | | | 89·2 | 85·1 | 81·9 |
| 1934 ( " ) | 148 | 119 | 154 | 135 | 126 | 143 | 149 | | | 91·2 | 82·9 | 91·3 |
| 1935 ( " ) | 150 | 123 | 156 | 144 | 132 | 157 | 152 | | | 91·1 | 81·3 | 99·9 |
| 1936 ( " ) | 155 | 130 | 161 | 150 | 137 | 163 | 159 | | | 91·8 | 80·7 | 105·5 |
| 1937 ( " ) | 189 | 144 | 200 | 175 | 174 | 176 | 174 | | | 96·8 | 82·4 | 117·3 |
| 1936— | | | | | | | | | | | | |
| July | 153·7 | 132·1 | 158·5 | 150·7 | 134·5 | 166·8 | 157·6 | | | 90·2 | 80·4 | 106·1 |
| August | 154·9 | 134·1 | 159·6 | 153·0 | 135·5 | 170·4 | 159·1 | | | 90·0 | 80·6 | 106·2 |
| September | 156·6 | 131·5 | 162·4 | 152·3 | 135·9 | 168·7 | 159·9 | | | 90·8 | 80·6 | 107·1 |
| October | 157·5 | 128·8 | 164·0 | 150·4 | 139·0 | 161·8 | 158·7 | | | 92·2 | 80·6 | 107·5 |
| November | 162·0 | 131·0 | 169·0 | 155·8 | 147·5 | 164·1 | 158·9 | | | 93·0 | 80·6 | 108·1 |
| December | 171·6 | 135·5 | 179·8 | 161·9 | 159·0 | 164·8 | 162·5 | | | 96·2 | 80·9 | 108·5 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1937— | | | | | | | | | | | | |
| January | 183·1 | 140·2 | 192·7 | 172·5 | 175·2 | 169·7 | 169·8 | | | 92·7 | 81·5 | 109·0 |
| February | 184·4 | 140·6 | 194·3 | 171·9 | 170·0 | 173·9 | 170·7 | | | 95·5 | 81·7 | 110·0 |
| March | 193·9 | 141·3 | 205·8 | 175·9 | 177·3 | 174·5 | 171·0 | | | 97·0 | 81·6 | 111·7 |
| April | 196·5 | 143·4 | 208·6 | 180·8 | 183·3 | 178·3 | 171·9 | | | 94·9 | 81·4 | 116·1 |
| May | 192·8 | 141·7 | 204·4 | 176·7 | 175·2 | 178·2 | 171·0 | | | 95·8 | 81·8 | 117·1 |
| June | 188·3 | 140·3 | 199·2 | 176·0 | 174·5 | 177·4 | 171·4 | | | 96·6 | 82·4 | 117·6 |
| July | 189·5 | 142·6 | 200·1 | 176·7 | 175·6 | 177·8 | 172·4 | 100·0 | 100·0 | 96·3 | 83·0 | 117·8 |
| August | 188·3 | 140·4 | 199·0 | 171·9 | 170·1 | 173·7 | 173·9 | 100·6 | 100·6 | 96·0 | 83·0 | 118·6 |
| September | 188·5 | 142·1 | 199·0 | 175·1 | 173·8 | 178·4 | 177·6 | 101·7 | 101·7 | 96·1 | 83·0 | 120·8 |
| October | 188·4 | 147·1 | 197·7 | 173·9 | 171·4 | 176·3 | 179·2 | 101·8 | 101·8 | 98·3 | 83·0 | 122·2 |
| November | 189·3 | 151·6 | 197·8 | 173·7 | 170·6 | 176·7 | 179·9 | 101·8 | 101·6 | 99·4 | 83·0 | 123·3 |
| December | 190·1 | 153·0 | 198·6 | 176·2 | 173·3 | 179·1 | 182·4 | 103·0 | 102·9 | 102·9 | 83·3 | 123·2 |
| 1938— | | | | | | | | | | | | |
| January | 192·8 | 152·5 | 201·9 | 179·3 | 176·9 | 181·7 | 184·6 | 104·4 | 104·2 | 100·6 | 83·8 | 122·9 |
| February | 197·5 | 152·2 | 207·8 | 182·7 | 180·5 | 185·0 | 190·4 | 105·8 | 105·5 | 102·3 | 84·0 | 123·5 |
| March | 199·7 | 150·7 | 207·0 | 184·5 | 180·3 | 188·6 | 192·7 | 106·8 | 106·3 | 104·3 | 84·2 | 125·0 |
| April | 197·0 | 152·1 | 203·3 | 180·5 | 172·5 | 188·5 | 197·0 | 109·0 | 107·5 | .. | .. | .. |

# CHAPTER VIII.

## INQUIRIES.

Inquiries received in this Office may be broadly grouped under three classes, *viz.* :—

(1) Inquiries on technical subjects,

(2) Foreign trade inquiries, and

(3) Inquiries on educational matters.

The Indian commercial community who number about 700 freely utilized the services of this Office and sought guidance and help on various matters in connection with trade, while the British Consulates at Kobe and Osaka not infrequently consulted it on all matters affecting the interests of Indians resident in this country.

The following inquiries under each of the three groups mentioned above have been selected at random to illustrate the nature of work done :—

### (1) INQUIRIES ON TECHNICAL SUBJECTS.

The Tariff Board in India asked for information on the following industries in Japan :—

(*a*) *Sugar,*

(*b*) *Paper,*

(*c*) *Paper Pulp,*

(*d*) *Magnesium chloride,*

(*e*) *Silk* and

(*f*) *Staple fibre.*

Reports on these subjects, excepting the last one, were duly prepared and forwarded to India. Considerable difficulty was experienced in collecting the information furnished to the Tariff Board specially as very few publications on Japanese industries are available, and strict secrecy is maintained by business and industrial concerns on these matters. The Governor General of Formosa however very kindly furnished me with valuable information on the Sugar Industry, while my Head Assistant was, through the courtesy of the Government officials at Tokyo and the various firms and Associations of which special mention may be made of Mitsubishi and the Osaka Chamber of Commerce and Industry, able to collect valuable data for the purposes of the reports.

The Benares University asked for information on several subjects such as *metal enamelling industry, supply of electricity,* etc., in Japan. The Bombay Telephone Company, Limited, Bombay asked for information in regard to the *telephone service in Japan,* and a Provincial Government requested a *detailed estimate for setting up an uptodate woollen hosiery yarn spinning plant* in Northern India, while yet another party asked for a *detailed estimate for establishing a motor car and truck manufacturing factory in India.* Information in all

cases was supplied as far as possible. One of the Provincial Governments purchased through this Office an electric pulverizer. Products of some of the big Japanese firms applying for registration with the Indian Stores Department as "approved contractors" were inspected and reports submitted to the Chief Controller of Stores.

(2) INQUIRIES ON FOREIGN TRADE.

*Hides and Skins, hide fleshings, sinews, etc.*—A local firm wished to be introduced to exporters of hides and skins, raw and tanned, in India, and the necessary information was supplied. The names of exporters in India of bone sinews and hide fleshings were also supplied to one of the firms in Osaka. It is stated that negotiations have been opened with one of the Indian firms.

Another inquiry was received from a Japanese firm in regard to supplies of Indian salted gold beater skins which are used in transporting motor and other kinds of mineral oils in and for aeroplanes. The inquiry was passed on to the Director General of Commercial Intelligence and Statistics for assistance.

The names of Japanese firms importing deer and elk horns and other animal bye-products were supplied to an Indian firm.

*Shellac.*—The names of Japanese importers of this commodity were supplied to an Indian firm.

*Oil cakes.*—The names of Japanese importers of oil cakes were supplied to an Indian firm on request.

*Drugs and herbs, gunny bags, shellac, etc.*—One Japanese firm in Osaka approached this Office directly as well as through the British Consulate General, Osaka for names of exporters in India of gunny bags, shellac, animal bye-products, drugs, herbs, and medicinal seeds and of Indian purchasers of Japanese powdered clay, as well as for a list of Indian oil mills and sugar factories. Available information was supplied.

In response to a request from a firm in Nagoya a list of exporters in India of Gum-Tragacanth, Gum-Arabic and Cutch was forwarded. The Director General of Commercial Intelligence and Statistics supplied the name of an Indian exporter of carbon black which was also passed on to the Japanese firm. The names of reliable importers in Japan of Gum olibanum were also furnished to an Indian firm.

*Seeds.*—An inquiry about the possibility of developing a market for Indian seeds and hides and skins was received from the Merchants' Chamber of the United Provinces who were supplied with the names of reliable importers in Japan in these lines.

Two firms in Osaka which were interested in imports of oilseeds from India were supplied with the names of Indian exporters of the commodi y.

As there appeared to be a fairly good demand for oilseeds in Japan, a list of prominent Japanese importers was forwarded to the Director General of Commercial Intelligence and Statistics for being supplied to prospective Indian shippers of oilseeds.

*Mica.*—Names of Indian exporters of Mica were supplied to an Indian firm in Kobe and those of Japanese importers to a firm in India. The representative of a firm in South India who came to Osaka was introduced to reliable importers of Mica, and within a few months he was successful in selling Mica valued at about Yen 200,000·00.

*Manganese Ore.*—To an Indian firm interested in the export of manganese ore, bauxite, and talc, the names of reliable importers in Japan were furnished through the Director General of Commercial Intelligence and Statistics.

*Iron Ore.*—A firm in Osaka was supplied with names of reliable exporters in India, while in reply to an inquiry from a firm in Tokyo, names of principal exporters in India of iron ore, manganese and chrome ore were furnished.

In reply to an inquiry received from him, the Director General of Commercial Intelligence and Statistics was furnished with the names of prospective buyers in Japan of *hæmetite* and magnetite. Hæmetite is much in demand in Japan as it is largely used in blast furnaces.

*Coffee.*—Names of reliable Indian exporters of coffee supplied by the Director General of Commercial Intelligence and Statistics were furnished to a firm in Yokohama.

An inquiry was received from one of the most prominent Indian firms about prospects of selling Indian coffee, butter and casein in Japan. The names of prospective importers in the line were supplied through the Director General of Commercial Intelligence and Statistics.

In response to a request from the Indian Coffee Cess Committee, Bangalore, the possibilities of developing a market for Indian Coffee in Japan were explored, and the Committee were suitably advised after investigation of the question, and they were also requested to send a sample consignment of unroasted Indian Coffee beans for the purpose of exhibiting it to prospective buyers in Japan. The market is at present monopolised by Brazilian coffee produced by Japanese emigrants to Brazil.

*Lemon Grass Oil and Palmnuts.*—Names of reliable importers in Japan were supplied to a firm in Cochin who were also advised to send samples together with the export prices of the commodity.

*Tamarind.*—In reply to an inquiry addressed by a firm in Tokyo to a Chamber of Commerce at Calcutta, the Director General of Commercial Intelligence and Statistics sent a list of exporters in India which was forwarded to the Japanese firm.

A firm in Mysore inquired about the possibility of a market in Japan for tamarind for the purpose of manufacturing tartaric and citric acid. The names of well-known manufacturers were supplied to the Indian firm.

*Coir Mats and Mattings.*—The names of prospective buyers in Japan of these commodities were supplied to two Indian firms. There is considerable demand in Japan for Travancore products.

*Coconut shell charcoal.*—Inquiry was received from the Director General of Commercial Intelligence and Statistics about likely buyers in Japan of this commodity. The names of prospective buyers in Japan were supplied.

*Bristles.*—An Osaka firm made inquiries about the import of unbleached white bristles from India for the purpose of making brushes. The names of suitable Indian exporters of this commodity were supplied.

A Cawnpore firm was also supplied with the names of Japanese importers of bristles for making brushes and brooms, etc.

*Rape Seed Oil.*—Inquiry about oil mills crushing cotton seed decorticated and delinted or whole cotton seed was made [illegible] through the British Consulates at Osaka, Yokoh [illegible] oil mills interested in cotton seeds and other [illegible] supplied to the Indian firm.

*Indian Cinema Talkies.*—Two talkie distributors in Bombay made inquiries, about the possibility of distributing Indian Cinema talkies in Hindi version in Japan. They were informed that since October, 1937, importation of foreign cinema films in Japan has been prohibited.

*Calcium carbide.*—One Osaka firm desired to know the full address and the type of business handled by a Karachi firm of Messrs. Moraree and Sons. The Director General of Commercial Intelligence and Statistics was addressed who, though unable to find out the whereabouts of this particular firm, suggested the name of another firm who were general merchants, contractors and dealers in calcium carbide. The name of this firm was passed on to the Osaka firm.

*Raw Jute.*—A firm in Kobe desired to know the names of exporters of raw jute in India. The names of reliable jute exporters in India were supplied to the Kobe firm.

*Condiments.*—Two firms in South India wanted to export condiments, curry powder, etc., to Japan. The names of suitable Japanese importers were supplied.

[illegible]

*Indian Casings, guts and intestines of cattles and buffaloes.*—A firm in Moradabad desired to export guts, etc., to Japan. It was pointed out to them that as importation of guts was prohibited in Japan there was no likelihood of doing any business in this line.

*Incandescent gas mantles.*—A firm in Bangalore desired to export incandescent gas mantles to Japan. The samples sent to us were shown to likely buyers in Japan. As a result of inquiries it was found that there is very little demand for this commodity in Japan, as electricity is available everywhere at cheap rates.

*Wool.*—An inquiry was received from a prominent Japanese firm who desired to study the possibility of importing Indian wool, obviously with a view to study to what extent it could compete with Australian and South African wool.

In addition to the above, numerous inquiries were received in this Office about the export of finished articles to India. In cases where it was desired to open up business connections on an exchange basis, the names of Indian

firms were supplied. In other cases, it was suggested that the inquiries might appropriately be addressed to the Japanese Consulates in India.

### (3) Inquiries on Educational Matters.

The following cases may be cited :—

A correspondent in India wished to come over to Japan in order to obtain training in spinning and weaving in cotton mills. He was informed that it was not possible for a foreigner to secure such training in a mill in Japan. He was however furnished with a list of such technical schools as had spinning and weaving sections and was advised to correspond with them direct.

Another inquirer from India asked for information regarding facilities available in Japan for training in textile dyeing and printing. Necessary information was supplied to him.

Three Indian students approached this Office for help in securing admission, respectively, in the Osaka University for research work in Cotton, in the Textile Department of the Tokyo Imperial University of Engineering, and in the Department of Dye-stuffs chemistry in the latter University for training in colour chemistry. They were all admitted.

*Toy making and shell button making Industries.*—A correspondent in Bombay who wished to visit Japan in order to obtain training in shell button and toy making industries requested this Office to make necessary arrangement for such training. Inquiries instituted through the Osaka Chamber of Commerce and Industry and the leading trade Associations in the line revealed that these industries were home industries and that no special technical education is imparted in any school. Apprenticeship however could be secured in some of the small private workshops, but the proprietors of such factories are usually averse to take in foreigners ignorant of the Japanese language or who could not accommodate themselves to the simple Japanese ways of life and work.

*Canning Industry.*—An Indian visitor desired to see some of the factories where this industry is carried on. The factory-owners of Osaka replied that study and observation of the factories was prohibited by the military authorities owing to the China Emergency. The visitor however was introduced to some factories in Akashi and Kyoto.

*Manufacture of Transfer Tickets.*—An inquiry was received from the Director General of Commercial Intelligence and Statistics whether there existed in Japan schools where training in the manufacture of transfer tickets could be obtained. The names of suitable institutions were collected and forwarded to the Director General of Commercial Intelligence and Statistics.

*Radio Engineering.*—Several inquiries were received from India requesting information about training available in Japan in radio engineering and television. Necessary information was collected from the various universities in Japan and supplied to the inquirers. It was emphasised by nearly all the institutions that as lectures were given in the Japanese language it was essential that students should be well-versed in Japanese to be able to derive any benefit from the training given. Through the help of this Office, two Indian students

were able to secure admission in the Kyoto Imperial University for training respectively in radio and television engineering and in neon-signs making. The students were appointed as Assistants by the Heads of the Departments concerned, and were exempt from the payment of tuition fees.

*Manufacture of Cigars and Cigarettes.*—One gentleman from Bangalore required information about training in tobacco factories in respect of growing and curing of tobacco leaves and manufacture of cigars and cigarettes, for the purpose of sending his son to Japan. The Chairman of the Tobacco Monopoly Bureau of the Japanese Government was approached and expressed willingness to take in the Indian student in one of the tobacco factories under the control of the Bureau. The boy arrived in Japan and informed this Office that he would start work from September 1938 on re-opening of factories, and that in the meantime he was studying the Japanese language to be able to follow the training given.

T [illegible] tive [illegible] by [illegible] covering a wide range of subject—from uch item as whether a particular method of packing a consignment would infringe the Merchandise Marks Law in India to information regarding the interpretation of the Indian Customs Tariff.

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## CHAPTER IX.

### MISCELLANEOUS.

One of the important functions of the office of the Indian Trade Commissioner is to give publicity to the possibilities of Indian trade. This is done generally by means of participation in fairs and exhibitions held in the country to which the Trade Commissioner is accredited. In the period under review no fairs or exhibitions of sufficient importance to justify participation were held in Japan. The projected Yokohama World Exhibition of 1940 has now been abandoned and it is extremely unlikely if any such exhibitions will be undertaken so long as the prevailing emergency continues. Efforts have, however, been made to exhibit permanently in the office of the Trade Commissioner samples of representative Indian products which are likely to find a market in Japan. In response to a request from the Director General of Commercial Intelligence and Statistics in this behalf, a number of samples have been received from the Provincial Governments. When a sufficient number for purposes of display has arrived, it is proposed to invite the co-operation of the principal Department Stores in Japan to permit these products to be exhibited in the Stores for the benefit of their visitors. Meanwhile an attempt has been made to create an interest in wool, coffee, mica and hides and skins. The response has been encouraging, but progress has not been made beyond the stage of discussion on account of the restrictions on imports and the pre-occupations arising from the prosecution of the hostilities in China.

A number of visitors from India called at the office and asked for some form of assistance. A great many wished to see Japanese factories, and so far as possible, visits to certain representative industrial establishments were arranged. One of the visitors who spent a few months in Japan last year was the late Sir Courtney Terrell. He was deeply interested in the preparation of different varieties of food from soya bean, and was shown round several large and small scale factories producing soya bean food-products. He showed special interest in an electrically worked plant for the manufacture of soya-bean curd, and it was presumably at his initiative that the Bihar Government ordered out this machine through this office. The Japanese Government has during recent months imposed severe restrictions on visits of foreigners to factories in Japan, and it is becoming increasingly difficult to obtain this facility for visitors from India.

Japan also attracts students from India who come to this country mainly for receiving technical training in some branch of industry. Since the establishment of the Trade Commissioner's office, the heads of institutions in Japan have insisted on Indian students producing a certificate of trustworthiness from the Trade Commissioner. In most cases this was furnished and the student was able to obtain admittance. It has however been noticed that Indian students frequently come to this country on speculation without first making proper inquiries about courses of study, etc., and are sometimes even financially ill-equipped. The prevailing belief appears to be that the doors of educational institutions are wide open for Indians and living is so cheap in Japan that scarcely any financial arrangements are necessary. It is only when the student arrives in this country that he is disillusioned, and then he has to depend on the assistance of members of the Indian community who may be charitably inclined. It is necessary that the misapprehensions which undoubtedly exist should be removed. In the first place, Universities and other educational institutions in Japan discourage admission of foreign students. Instruction is invariably imparted in Japanese which is one of the most difficult languages to learn. Practical training in workshops or factories could not be easily arranged even in normal times, at present it is entirely barred. The greatest difficulty an Indian student encounters here is in regard to his food. Indian food is available only in Kobe, elsewhere he has to accustom himself to the Japanese or the European diet, the former is cheap but unpalatable while the latter is expensive. An Indian student subsisting on Japanese diet should have an allowance of not less than Rs. 75 per month. Conditions at present are however such that it is highly desirable that Indian students should desist from coming to this country for technical training.

Indian firms engaged in Trade can be found in most important towns in Japan, but the bulk of the Indian community, numbering about seven hundred, reside in Kobe and have established for themselves a position of some importance in the social and economic spheres. The India Club is a common meeting ground for all Indians and recently an Indian Chamber of Commerce has been established with a view to safeguard the interests of the Indian mercantile community in Japan. In addition to these two premier institutions, a number of other social clubs and societies also exist and look after sectional interests. The city of Kobe is also provided with a mosque, an imposing edifice built almost entirely from funds contributed by Indians. The next

in order of importance after Kobe, from the point of view of Indian business interests, is Yokohama. Indian firms numbering about fifty, practically all from Sindh, have been established in this town and are engaged mainly in the export of silk and artificial silk piecegoods. The Indian community in Japan generally, and in Kobe particularly, naturally look for guidance in trade and other matters to the Trade Commissioner, and in most cases such assistance as was possible has been accorded. In those cases in which necessity was felt for representations being made to the Japanese Government, introductions were given to the Indian representatives to enable them to utilise the good offices of the British Embassy in Tokyo. It must be confessed, however, that with the establishment of the Kumiais or trade guilds, the position of Indians doing export business from Japan is becoming increasingly difficult. Though outwardly no discrimination is practised against Indians as such, the tendency generally is for trade to get concentrated in the hands of Japanese who have the controlling power in the management of the guilds. A case which illustrates what is happening is that of the trade in Japanese glass bangles. At first the glass bangles guild consisted only of makers, but in the [illegible] the makers' guild, a [illegible] The total quantity [illegible] ng the 41 exporters in accordance with the quantity handled by each in the preceding years. The export markets were similarly distributed on a territorial basis, and the intrusion of an exporter into the territory alloted to another was absolutely prohibited. The Madras market from which the complaints originally emanated, was allotted to two Japanese firms and the latter finding themselves in the position of a monopolist are alleged to have dealt with their Indian dealers in a most arbitrary manner. Some of the Indian exporters in Kobe have been similarly treated and have had to give up the business. Similarly in other trades the Indian is finding that the opportunities open to him of doing profitable business are being restricted. It would be well if those desiring to establish business houses in Japan would take note of this fact and proceed with due caution.

A part of the Trade Commissioner's duties which has proved exceptionally trying is that of the settlement of claims. Merchants in India having claims against Japanese firms cannot realise how difficult it is in the first place to establish contact with the person who knows anything about their case, and secondly, when contact has been established, to persuade the parties concerned to give a satisfactory reply. Each claim entails numerous visits and telephone calls spread over a long period. When this office was established the British Consuls in Kobe and Osaka transferred the claims from Indian merchants which had been pending in their offices, and in addition quite a large number of claims of various descriptions have been received direct from India. Every effort has been made to get these settled as speedily and satisfactorily as possible, but in view of the conditions which prevail here, the claimants in India are requested to exercise patience. [illegible]

the only alternative is to obtain [illegible]

Indian merchants to follow, however, is firstly to exercise the greatest caution in dealing with small Japanese firms, and secondly, to take every possible step including survey of goods by surveyors of unimpeachable authority to put up an absolutely cast-iron case.

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## CHAPTER X.

### Staff and Acknowledgments.

The staff of the Trade Commissioners' office at Osaka during 1937-38 consisted of the following :—

(1) One Head Assistant.

(2) One Stenographer-Assistant.

(3) One Japanese Assistant.

(4) Two Messengers.

The duties of the Head Assistant are general supervision of the office, interviewing visitors and keeping of petty cash account of the office. He opens all mails addressed to the office and sees all letters despatched from the office. All correspondence, except in cases which require to be submitted to the Trade Commissioner, is carried on by him. He interviews and collects materials from official and non-official quarters and prepares various kinds of Notes and Reports including those on technical subjects required from time to time by the Provincial Governments and the Indian Tariff Board, as well as conducts trade inquiries. Business disputes between Indian and Japanese firms involving settlement of claims are also handled by him. He is responsible for the work of the office when I am absent from Osaka on tour. The Stenographer-Assistant takes down dictation in Shorthand and does typing work of the whole office. He performs, in addition, the secretarial duties of an Assistant, keeps all incoming and outgoing correspondence in proper files, and maintains the Register of Firms and the Card Index under the supervision of the Head Assistant. He also prepares office accounts schedules in collaboration with the Japanese Assistant, and attends to the issue of circular routine letters and Questionnaires in connection with trade introductions. The principal function of the Japanese Assistant is to work as an interpreter. He looks through selected Japanese papers and Government publications and translates any material that is of interest to the office. He interviews such callers as know Japanese only and helps the Head Assistant and myself, when necessary, in negotiating settlement of claims and attending to trade inquiries. He also attends to telephone calls except when such inquiries are addressed personally to me. He also accompanies me on tour. The first Japanese Assistant employed in the office was found unsuitable and his services were dispensed with on completion of the probationary period of six months. One of the Messengers carries out the duties of keeping files in their proper places and maintains a Register of books and publications in the Library. He is in charge of all stationery and looks after the upkeep of the samples of Indian products maintained in the office. He also maintains the Register

of Receipts and Despatches of all correspondence. The other Messenger works as an Office Boy and attends to cleaning, etc., of the office. He also carries local mails.

During the period under review the staff has had to work under somewhat trying conditions and I am, therefore, all the more grateful for the loyal support and co-operation which I have received from them at all times.

I would conclude this Report with an acknowledgment of the courtesy which has been extended to me by the Prefectural Authorities and the Officials of the Chambers of Commerce and Industry in Kobe and Osaka. I am also grateful for the assistance I have received from the Officials of the Japanese Government. His Excellency Sir Robert Craigie paid us the honour of a visit on the occasion of his first informal tour of Kansai. The Officials of the British Embassy in Tokyo have readily responded to my requests for advice and assistance, and the British Consul-General in Osaka and the British Consul in Kobe have been of great help to me at all times. I take this opportunity of expressing my grateful appreciation of the unfailing kindness and courtesy which I have received from them.

R. R. SAKSENA,

*Indian Government Trade Commissioner in Japan.*

OSAKA,

*Dated the 7th September 1938.*

# APPENDICES.

*Statement showing month by month the Position of India along with her Principal Competitors in the Japanese Market for some of the Chief Commodities Imported into Japan (Value in 1,000 Yen).*

| | 1937. | | | | | | | | | | | | 1938. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan. | Feb. | Mar. | April. | May. | June. | July. | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| *Beans and Peas.* TOTAL | 14,211 | 12,565 | 10,257 | 8,061 | 9,060 | 8,094 | 4,068 | 3,019 | 2,075 | 4,119 | 4,679 | 12,331 | 14,109 | 12,710 | 13,361 |
| | 240 | 239 | 205 | 255 | 475 | 356 | 380 | 317 | 255 | 204 | 184 | 124 | 31 | .. | .. |
| | 13,169 | 11,679 | 9,710 | 7,444 | 8,150 | 7,386 | 3,126 | 2,263 | 1,040 | 3,784 | 4,311 | 12,040 | 13,720 | 12,498 | 13,158 |
| | 720 | 533 | 278 | 349 | 420 | 307 | 532 | 315 | 30 | 76 | 6 | 590 | 44 | 72 | 46 |
| *Skins.* TOTAL | 2,600 | 13,099 | 3,470 | 3,414 | 3,615 | 4,304 | 3,919 | 3,850 | 3,352 | 2,611 | 5,566 | 4,773 | 3,029 | 2,012 | 2,556 |
| [In]dia | 38 | 32 | 51 | 95 | 221 | 230 | 559 | 432 | 240 | 126 | 179 | 121 | 53 | 48 | 26 |
| | 1,256 | 1,553 | 1,144 | 1,156 | 1,136 | 1,144 | 1,067 | 696 | 113 | 183 | 197 | 426 | 217 | 287 | 337 |
| [Ma]nchukuo | 40 | 44 | 59 | 78 | 109 | 140 | 105 | 56 | 66 | 105 | 111 | 116 | 44 | 69 | 140 |
| U. S. A. | 262 | 351 | 743 | 641 | 499 | 673 | 442 | 563 | 499 | 408 | 3,277 | 1,039 | 960 | 301 | 836 |
| Argentine. | 195 | 240 | 278 | 231 | 125 | 474 | 485 | 480 | 937 | 373 | 751 | 1,296 | 1,217 | 401 | 854 |
| France | 93 | 112 | 52 | 67 | 237 | 53 | 53 | .. | 56 | 20 | 36 | 57 | 57 | 135 | .. |
| Great Britain | 48 | 24 | 77 | 8 | 39 | 70 | 39 | 17 | 49 | .. | 14 | .. | .. | .. | .. |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Straits Settlements | 45 | 65 | 41 | 58 | 72 | 35 | 58 | 24 | 20 | 32 | 13 | 20 | 5 | 28 | 11 |
| Australia | .. | 64 | 520 | 453 | 284 | 527 | 206 | 525 | 418 | 646 | 169 | 1,121 | 316 | 457 | 193 |
| *Leather.* TOTAL | 707 | 604 | 673 | 851 | 689 | 677 | 621 | 576 | 530 | 556 | 491 | 547 | 318 | 201 | 184 |
| Share of— | | | | | | | | | | | | | | | |
| British India | 382 | 320 | 260 | 315 | 295 | 346 | 357 | 288 | 244 | 212 | 211 | 206 | 155 | 181 | 15 |
| Great Britain | 43 | 30 | 21 | 68 | 16 | 28 | 27 | 36 | 37 | 51 | 30 | 16 | 17 | 3 | 2 |
| Germany | 78 | 41 | 95 | 130 | 7 | 134 | 56 | 76 | 76 | 77 | 48 | 117 | 51 | 51 | 44 |
| U. S. A. | 110 | 77 | 81 | 130 | 157 | 120 | 62 | 125 | 25 | 61 | 66 | 47 | 17 | 28 | 30 |
| *Cotton Raw.* TOTAL | 127,811 | 87,183 | 130,450 | 88,019 | 117,620 | 79,603 | 78,391 | 49,068 | 40,280 | 21,805 | 15,556 | 15,347 | 13,404 | 20,670 | 39,735 |
| Share of— | | | | | | | | | | | | | | | |
| British India | 30,500 | 55,069 | 49,576 | 26,851 | 48,090 | 42,949 | 30,308 | 26,465 | 21,966 | 2,871 | 1,630 | 2,461 | 3,505 | 3,296 | 15,266 |
| U. S. A. | 57,565 | 18,352 | 61,445 | 43,372 | 53,409 | 23,895 | 10,904 | 8,162 | 3,889 | 3,262 | 8,762 | 4,372 | 5,454 | 10,445 | 13,881 |
| Egypt | 10,097 | 7,696 | 13,493 | 10,449 | 6,997 | 3,137 | 1,726 | 720 | 433 | 128 | 1,107 | 2,687 | 1,246 | 1,668 | 3,005 |
| China | 4,530 | 4,445 | 3,010 | 3,085 | 2,613 | 2,025 | 1,811 | 885 | 326 | 482 | 288 | 116 | 1,495 | 4,157 | 6,309 |
| East Africa | 548 | 140 | 1,582 | 3,750 | 8,106 | 3,088 | 3,845 | 362 | . | .. | . | .. | .. | .. | .. |
| Turkey | 193 | .. | . | . | . | | . | | .. | .. | . | 98 | 143 | . | 140 |
| Dutch India | 182 | 290 | 182 | 70 | 134 | 63 | 68 | 46 | 41 | 27 | 16 | 44 | 13 | 9 | 6 |

*Statement showing month by month the Position of India along with her Principal Competitors in the Japanese Market for some of the Chief Commodities Imported into Japan (Value in 1,000 Yen)*—contd.

| | 1037. | | | | | | | | | | | | 1938. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan. | Feb. | Mar. | April. | May. | June. | July. | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| *Pig Iron:* | | | | | | | | | | | | | | | |
| TOTAL | 3,139 | 2,924 | 3,301 | 3,800 | 4,309 | 8,899 | 11,598 | .. | .. | .. | .. | .. | .. | .. | .. |
| Share of— | | | | | | | | | | | | | | | |
| British India | 681 | 773 | 1,321 | 880 | 1,847 | 1,454 | 2,224 | Figures not published. | | | | | | | |
| Manchukuo | 772 | 1,098 | 1,035 | 1,162 | 978 | 1,480 | 1,952 | | | | | | | | |
| U. S. A | .. | 183 | 889 | 1,597 | 1,169 | 5,081 | 6,860 | | | | | | | | |
| Great Britain | 20 | 21 | 56 | 113 | 88 | 89 | 198 | | | | | | | | |
| *Lead (Ingots and Slabs).* | | | | | | | | | | | | | | | |
| TOTAL | 3,710 | 3,001 | 4,409 | 4,411 | 5,830 | 3,179 | 4,411 | | | | | | | | |
| Share of— | | | | | | | | | | | | | | | |
| British India | 398 | 594 | 727 | 1,025 | 1,519 | 947 | 496 | | | | | | | | |
| Canada | 1,173 | 1,620 | 1,558 | 1,809 | 1,847 | 1,303 | 2,673 | | | | | | | | |
| U. S. A. | 75 | 298 | 1 | 404 | 55 | 87 | 256 | | | | | | | | |
| Australia | 33 | 374 | 471 | 422 | 268 | 120 | 1 | | | | | | | | |
| Great Britain | .. | .. | 2 | 53 | 2 | .. | 2 | | | | | | | | |
| *Iron (excluding Rail and fish plate).* | | | | | | | | | | | | | | | |
| TOTAL | 0,880 | 13,205 | 16,488 | 24,994 | 38,414 | 51,116 | 03,045 | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share of— | | | | | | | | | | | | | | | |
| British India . . | 771 | 1,035 | 1,200 | 1,493 | 1,736 | 2,205 | 2,460 | Figures not published. | | | | | | | |
| U. S. A. . . . . | 3,949 | 4,709 | 5,170 | 11,511 | 21,750 | 34,349 | 44,370 | | | | | | | | |
| Germany . . . . | 822 | 1,457 | 1,635 | 2,033 | 2,103 | 2,164 | 2,593 | | | | | | | | |
| Belgium . . . . | 905 | 845 | 1,080 | 1,827 | 1,080 | 2,145 | 3,742 | | | | | | | | |
| Great Britain . . . | 641 | 849 | 1,138 | 1,713 | 1,047 | 1,011 | 1,215 | | | | | | | | |
| Australia . . . . | 541 | 220 | 291 | 355 | 705 | 1,004 | 571 | | | | | | | | |
| Dutch India . . . | 339 | 407 | 624 | 512 | 1,142 | 1,222 | 1,089 | | | | | | | | |
| Austria . . . . | 287 | 198 | 610 | 651 | 732 | 580 | 936 | | | | | | | | |
| Canada . . . . | 143 | 301 | 43 | 18 | 15 | . | 278 | | | | | | | | |
| Sweden . . . . | . . . | 486 | 947 | 908 | 923 | 903 | 428 | | | | | | | | |
| *Oilcakes.* | | | | | | | | | | | | | | | |
| TOTAL . | 3,861 | 4,006 | 5,075 | 4,167 | 6,558 | 6,893 | 2,626 | 1,409 | 1,653 | 1,447 | 2,302 | 3,764 | 5,[illegible]45 | 7,803 | 9,420 |
| Share of— | | | | | | | | | | | | | | | |
| British India . . . | 55 | 122 | 121 | 158 | 357 | 243 | 175 | 118 | 310 | 71 | 126 | 76 | 30 | 8 | .. |
| Manchukuo . . . | 2,512 | 2,700 | 3,872 | 2,302 | 4,175 | 4,702 | 1,254 | 685 | 1,056 | 1,153 | 1,913 | 3,217 | 4,471 | 6,704 | 7,700 |
| Kwantung Province . . | 609 | 1,037 | 1,242 | 1,008 | 857 | 624 | 288 | 178 | 189 | 61 | 236 | 314 | 624 | 921 | 1,578 |
| China . . . . . | 556 | 630 | 708 | 560 | 1,074 | 1,282 | 859 | 370 | 37 | . | 10 | 47 | 42 | 79 | 126 |
| *Ores.* | | | | | | | | | | | | | | | |
| TOTAL . | 4,077 | 2,494 | 2,703 | 4,951 | 6,314 | 7,251 | 9,071 | Figures not published. | | | | | | | |
| Share of— | | | | | | | | | | | | | | | |
| British India . . . | 345 | 150 | 154 | 1,081 | 622 | 434 | 881 | | | | | | | | |
| China . . . . | 689 | 445 | 602 | 702 | 1,439 | 072 | 1,373 | | | | | | | | |
| Australia . . . . | 604 | 379 | 107 | 215 | .. | 867 | 139 | | | | | | | | |
| U. S. A. . . . . | 69 | 173 | 283 | 207 | 33 | 650 | 214 | | | | | | | | |
| Asiatic Russia . . . | 225 | .. | .. | .. | .. | .. | .. | | | | | | | | |

*Statement showing Foreign Trade Index for Japan Proper and Saghalien (Corresponding Month, 1928=100).*

| Year and Month. | Value. | | Totals. | Volume. | | Totals. | Unit Price. | | Totals. |
|---|---|---|---|---|---|---|---|---|---|
| | Exports. | Imports. | | Exports. | Imports. | | Exports. | Imports. | |
| 1933 | 94·4 | 87·3 | 90·6 | 138·1 | 104·6 | 120·5 | 68·3 | 83·4 | 75·2 |
| 1934 | 110·1 | 103·9 | 106·9 | 163·4 | 111·6 | 136·1 | 67·4 | 93·1 | 78·5 |
| 1935 | 126·7 | 112·6 | 119·3 | 185·3 | 116·0 | 149·2 | 68·4 | 96·3 | 79·9 |
| 1936 | 136·6 | 125·8 | 130·9 | 202·5 | 128·4 | 163·5 | 67·5 | 98·0 | 80·1 |
| 1937 | 161·0 | 172·3 | 166·9 | 210·7 | 136·5 | 171·6 | 76·4 | 126·2 | 97·3 |
| January | 138·1 | 158·3 | 149·6 | 190·7 | 149·1 | 166·9 | 72·4 | 106·2 | 89·6 |
| February | 140·4 | 150·5 | 146·0 | 190·2 | 135·8 | 160·0 | 73·8 | 110·8 | 91·3 |
| March | 163·0 | 179·2 | 172·2 | 210·5 | 155·2 | 181·6 | 75·3 | 115·5 | 94·8 |
| April | 164·6 | 179·0 | 172·4 | 215·7 | 147·6 | 178·9 | 76·3 | 121·3 | 96·4 |
| May | 171·2 | 207·9 | 191·4 | 220·3 | 171·2 | 193·3 | 77·7 | 121·5 | 99·0 |
| June | 195·1 | 221·2 | 209·3 | 248·1 | 167·9 | 204·4 | 78·6 | 131·8 | 102·4 |
| July | 175·3 | 220·2 | 197·9 | 222·5 | 168·2 | 195·2 | 78·8 | 130·9 | 101·4 |
| August | 132·2 | 194·2 | 160·3 | 169·2 | 138·3 | 155·2 | 78·2 | 140·4 | 103·2 |
| September | 170·5 | 165·7 | 168·2 | 220·8 | 115·3 | 170·1 | 77·2 | 143·7 | 98·9 |
| October | 165·4 | 143·0 | 154·5 | 215·6 | 98·7 | 158·7 | 76·7 | 144·9 | 97·4 |
| November | 164·9 | 127·0 | 145·3 | 218·3 | 90·4 | 151·9 | 75·6 | 140·5 | 95·6 |
| December | 156·8 | 127·1 | 140·8 | 207·9 | 92·5 | 145·8 | 75·4 | 137·3 | 96·6 |
| 1938— | | | | | | | | | |
| January | 112·6 | 100·3 | 105·6 | 151·3 | 78·9 | 110·0 | 74·4 | 127·1 | 96·0 |
| February | 113·0 | 93·3 | 102·0 | 152·3 | 78·0 | 111·5 | 74·2 | 118·2 | 91·5 |
| March | 133·2 | 109·2 | 119·5 | 172·9 | 88·7 | 125·0 | 77·1 | 123·1 | 95·7 |

*Statement showing Foreign Trade under classes.*

(a) Annual.

(Y. 1,000,000)

| Exports. | | | | | Imports | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Foods and drinks. | Raw materials. | Semi-manufactured goods | Finished goods | Total including others. | Foods and drinks | Raw materials. | Semi-manufactured goods | Finished goods | Total including others. | |
| [illegible] | 80 | 824 | 813 | 1 912 | 209 | 1,165 | 383 | 333 | 2,194 | 1928 |
| 160 | 89 | 884 | 937 | 2,104 | 271 | 1,224 | 355 | 346 | 2,213 | 1929. |
| 120 | 61 | 524 | 691 | 1,435 | 208 | 829 | 236 | 255 | 1,542 | 1930. |
| 102 | 45 | 423 | 533 | 1,122 | 160 | 684 | 181 | 198 | 1,232 | 1931. |
| 104 | 51 | 486 | 701 | 1,366 | 161 | 839 | 201 | 220 | 1,427 | 1932. |
| [illegible] | 74 | 550 | 1,032 | 1,832 | 173 | 1,181 | 329 | 220 | 1,912 | 1933. |
| 72 | 68 | 400 | 1,346 | 2 130 | 174 | 1,414 | 416 | 263 | 2,277 | 1934. |
| [illegible] | 110 | 672 | 1,451 | 2,400 | 193 | 1 508 | 409 | 286 | 2,466 | 1935. |
| [illegible] | 127 | 716 | 1,563 | 2,641 | 231 | 1,738 | 477 | 294 | 2,753 | 1936. |
| [illegible] | 133 | 816 | 1,900 | 3,132 | 251 | 1,995 | 1,095 | 421 | 3,776 | 1937. |

*Statement showing Foreign Trade under classes.*

## (b) Monthly.

(Y. 1,000,000.)

| Exports. | | | | | Imports. | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Foods and drinks. | Raw materials. | Semi-manufactured goods. | Finished goods. | Total including others. | Foods and drinks. | Raw materials. | Semi-manufactured goods. | Finished goods. | Total including others. | |
| | | | | | | | | | | 1937— |
| 17 | 13 | 75 | 149 | 258 | 19 | 200 | 78 | 38 | 336 | April. |
| 16 | 13 | 75 | 171 | 277 | 22 | 259 | 102 | 34 | 419 | May. |
| 17 | 12 | 67 | 178 | 276 | 22 | 204 | 114 | 41 | 382 | June. |
| 20 | 11 | 71 | 174 | 278 | 17 | 178 | 127 | 37 | 359 | July. |
| 16 | 10 | 72 | 146 | 246 | 14 | 133 | 123 | 31 | 302 | August. |
| 26 | 12 | 73 | 177 | 290 | 16 | 111 | 101 | 33 | 262 | September. |
| 30 | 12 | 76 | 175 | 295 | 17 | 84 | 109 | 33 | 244 | October. |
| 27 | 10 | 63 | 148 | 251 | 16 | 75 | 89 | 29 | 210 | November. |
| 27 | 9 | 63 | 169 | 271 | 28 | 95 | 88 | 46 | 257 | December. |
| | | | | | | | | | | 1938— |
| 14 | 5 | 39 | 101 | 162 | 25 | 71 | 61 | 34 | 192 | January. |
| 19 | 6 | 44 | 110 | 181 | 20 | 76 | 53 | 37 | 187 | February. |
| 24 | 7 | 52 | 138 | 225 | 24 | 111 | 65 | 43 | 243 | March. |

# APPENDIX TO CHAPTER III.

## *Export and Import Regulations introduced in accordance with the Law Concerning the Adjustment of Foreign Trade and the Industries related thereto.*

*Art. 1.*—Articles listed in the Customs Tariff Law and Table "A" attached to this regulation cannot be imported without the permission of the Minister of Commerce and Industry except for those imported by post or those the cost of which does not reach Yen 100. This does not apply to articles coming under Article 1 of Imperial Ordinance No. 474 of 1936.

*Art. 2.*—Articles listed in the Customs Tariff Law and Table "B" attached to this regulation cannot be imported without the permission of the Minister of Commerce and Industry.

*Art. 3.*—The preceding two articles will not be applied to the import of articles belonging to any of the following categories:—

(1) Articles for the use of the Imperial Household.

(2) Articles belonging to a foreign ruler and his family and suite visiting Japan.

(3) [illegible] oys of [illegible] ns, or [illegible] Consulates in Japan.

(4) Articles imported by the Government.

(5) Articles once exported but shipped back.

(6) Luggage or articles in transportaion due to a change of residence.

(7) Articles imported for repair.

(8) Articles imported as samples or as gifts (to public bodies) or as exhibits in an exposition.

(9) Articles listed in Table "B" which are imported for purposes other than marketing and the cost of which does not exceed Yen 50.

*Art. 4.*—Articles listed in the Customs Tariff Law and Table "C" cannot be exported without the permission of the Minister of Commerce and Industry, except those exported by post or those the cost of which does not exceed Yen 100.

*Art. 5.*—Any one having obtained the necessary permission under Article 1 or 2 is required to import the articles in question within the period stipulated by the Minister of Commerce and Industry. [illegible] wh [illegible] 1, [illegible] clauses, the permission will become null and void.

*Art. 6.*—Anyone desiring to obtain the permission required under Article 1 or 2 shall submit to the Commerce Minister an application in duplicate, for permission to make the desired imports with the following particulars:

(1) Names of articles, (2) Quantity and price anticipated, to be given individually, (3) time of production or manufacture, (4) port of export, (5) port of import, and (6) time of [illegible]

*Art. 7.*—Anyone desiring to obtain the permission required under Article 4 shall submit to the Minister of Commerce and Industry in duplicate an application for permission to make the desired export giving the following particulars and also a statement certifying that the order has been obtained:—

(1) Names of articles, (2) Quantity and prices, to be given individually, (3) the name and address of the party to whom the articles have been sold, (4) destination, (5) port of destination, (6) port of export, (7) time of export.

*Art. 8.*—Should anyone, having obtained the permission required under Article 1 or 2, desire to change matters relative to Article 6, clause 1, items 1 to 6, he shall give previous notification to this effect to the Minister of Commerce and Industry.

This applies also to cases in which a party who has obtained the permission required under Article 4 desires to change matters relative to Article 7, items 5 to 7.

*Art. 9.*—Anyone who has obtained the permission required under Article 1 or 2 for the purpose of importing articles on behalf of a third party is required to submit a report to the Minister of Commerce and Industry within seven days, with the countersignature of the third party, should their contract be cancelled or cease, or should the quantity stipulated therein be decreased.

*Art. 10.*—Anyone who has obtained the permission necessary under Article 1, 2 or 4 is required to submit the import or export permit to the Customs at the time of import or export.

*Art. 11.*—Anyone who has obtained the permission necessary under Article 1, 2 or 4 is required to submit to the Minister of Commerce and Industry within seven days after import or export a report giving the following particulars:—

(1) Names and quantity of articles for the import or export of which permission has been obtained and the date of this permit, (2) names of articles, quantity and value of articles imported or exported, (3) place of production or manufacture of articles imported and the port of shipment, (4) port of import or export, (5) date of import or export.

*Additional.*—This regulation will be put in force on the day of promulgation (October 11, 1937). This will not be applied to articles *en route* to Japan at the time of its enforcement.

CATEGORY "A".

271. Cotton, in the seed or ginned.

282. Sheep's wool (including those carded or combed) goat's hair and camel's hair.

612. Wood.

CATEGORY "B".

1. Plants, twigs, stems, stalks and roots (for planting or grafting).

11. Animals, not otherwise provided for.

14. Pearl barley.

15. Malt.

22. Flours, meals or groats of grains and starches; this applies to:—

(2). Oatmeal.

(3) Corn meal.

(5) Corn starch.

31. Vegetables, fruits and nuts.

31-2. Coconuts.

32. Tea.

33. Mate and other tea substitutes.

35. Chicory and other coffee substitutes.

37. Pepper (excluding seeds).

38. Curry.

39. Mustard.

41. Rock candy sugar, cube sugar, loaf sugar and similar sugar.

42. Molasses.

43. Grape sugar, malt sugar and "Ame".

44. Honey.

45. Confectioneries and cakes.

46. Jams, fruit jellies and the like.

47. Biscuits (not sugared).

48. Macaroni, vermicelli and the like.

49. Fruit-juices and syrups.

50. Sauces.

51. Vinegar.

52. Meats, Poultry and game (Excluding Fresh Beef, Fresh Pork and preserved meats in the bottle or jar).
55. Condensed milk.
57. Meat extract.
58. Peptone, somatose, hæmoglobin and similar tonic foods.
59. Eggs, fresh.
59·2. Eggs, liquid and powder.
60. Mineral waters, soda water and similar beverages, not containing sugar or alcohol.
62. Chinese liquors, fermented.
63. Beer, ale, porter and stout.
67. Beverage and comestibles, not otherwise provided for.
69. Furs (excluding furs of dog, wild cat, rabbit, sheep and goats).
70. Fur manufactures, not otherwise provided for.
71. Hides and skins, not otherwise provided for (excluding those of bulls, oxen, cows, buffaloes, horses and pigs)
72. Leather (excluding that of bulls, oxen, cows, buffaloes, horses, sheep and goats and waste).
73. Leather manufactures, not otherwise provided for, this applies to :—
    (2) Sweat leather for hats, including those made of imitation leather.
    (3) Others.
75. Feathers and down.
76. Birds' skins with feathers.
77. Manufactures of feathers or birds' skins with feathers, not otherwise provided for.
78 Quill bristles and horn bristles.
81. Manufactures of animal tusk, not otherwise provided for.
84·2. Gut for tennis rackets.
88. Manufactures of tortoise shell, not otherwise provided for.
89. Coral.
90. Manufactures of coral, not otherwise provided for.
94. Manufactures of skin, hair, bone, horn, tooth, tusk, shell, etc , not otherwise provided for (excluding hide powder for chemical tests).
100. Groundnut oil.
106. Cod-liver oil
109. Compound lard.
110. Stearin.
111. Olein.
115. Vegetable tallow or wax obtained from the seeds of Rhus Vernicifera or Rhus Succedanea.
116. Candles.
117. Soaps.
118. Oils, fats and waxes, perfumed, and preparations of oil, fat or wax, perfumed.
119. Perfumed waters.
147. Isinglass.
154. Acetic acid.
155. Lactic acid.
156. Oxalic acid.
157. Tartaric acid.
166. Bicarbonate of soda.
167. Peroxide of soda.
171. Silicate of soda.

*Art. 9.*—Anyone who has obtained the permission required under Article 1 or 2 for the purpose of importing articles on behalf of a third party is required to submit a report to the Minister of Commerce and Industry within seven days, with the countersignature of the third party, should their contract be cancelled or cease, or should the quantity stipulated therein be decreased.

*Art. 10.*—Anyone who has obtained the permission necessary under Article 1, 2 or 4 is required to submit the import or export permit to the Customs at the time of import or export.

*Art. 11.*—Anyone who has obtained the permission necessary under Article 1, 2 or 4 is required to submit to the Minister of Commerce and Industry within seven days after import or export a report giving the following particulars:—

(1) Names and quantity of articles for the import or export of which permission has been obtained and the date of this permit, (2) names of articles, quantity and value of articles imported or exported, (3) place of production or manufacture of articles imported and the port of shipment, (4) port of import or export, (5) date of import or export.

*Additional.*—This regulation will be put in force on the day of promulgation (October 11, 1937). This will not be applied to articles *en route* to Japan at the time of its enforcement.

## CATEGORY "A".

271. Cotton, in the seed or ginned.

282. Sheep's wool (including those carded or combed) goat's hair and camel's hair.

612. Wood.

## CATEGORY "B".

1. Plants, twigs, stems, stalks and roots (for planting or grafting).

11. Animals, not otherwise provided for.

14. Pearl barley.

15. Malt.

22. Flours, meals or groats of grains and starches ; this applies to:—
 (2) Oatmeal.
 (3) Corn meal.
 (5) Corn starch.

31. Vegetables, fruits and nuts.

31-2. Coconuts.

32. Tea.

33. Mate and other tea substitutes.

35. Chicory and other coffee substitutes.

37. Pepper (excluding seeds).

38. Curry.

39. Mustard.

41. Rock candy sugar, cube sugar, loaf sugar and similar sugar.

42. Molasses.

43. Grape sugar, malt sugar and " Ame ".

44. Honey.

45. Confectioneries and cakes.

46. Jams, fruit jellies and the like.

47. Biscuits (not sugared).

48. Macaroni, vermicelli and the like.

49. Fruit-juices and syrups.

50. Sauces.

51. Vinegar.

52. Meats, Poultry and game (Excluding Fresh Beef, Fresh Pork and preserved meats in the bottle or jar).

55. Condensed milk.

57. Meat extract.

58. Peptone, somatose, hæmoglobin and similar tonic foods.

59. Eggs, fresh.

59-2. Eggs, liquid and powder.

60. Mineral waters, soda water and similar beverages, not containing sugar or alcohol.

62. Chinese liquors, fermented.

63. Beer, ale, porter and stout.

67. Beverage and comestibles, not otherwise provided for.

69. Furs (excluding furs of dog, wild cat, rabbit, sheep and goats).

70. Fur manufactures, not otherwise provided for.

71. Hides and skins, not otherwise provided for (excluding those of bulls, oxen, cows, buffaloes, horses and pigs).

72. Leather (excluding that of bulls, oxen, cows, buffaloes, horses, sheep and goats and waste).

73. Leather manufactures, not otherwise provided for, this applies to :—

(2) Sweat leather for hats, including those made of imitation leather.

(3) Others.

75. Feathers and down.

76. Birds' skins with feathers.

77. Manufactures of feathers or birds' skins with feathers, not otherwise provided for.

78. Quill bristles and horn bristles.

81. Manufactures of animal tusk, not otherwise provided for

84-2. Gut for tennis rackets

88. Manufactures of tortoise shell, not otherwise provided for.

89. Coral.

90. Manufactures of coral, not otherwise provided for.

94. Manufactures of skin, hair, bone, horn, tooth, tusk, shell, etc., not otherwise provided for (excluding hide powder for chemical tests)

100. Groundnut oil.

106. Cod-liver oil.

109. Compound lard.

110. Stearin.

111. Olein.

115. Vegetable tallow or wax obtained from the seeds of Rhus Vernicifera or Rhus Succedanea.

116. Candles.

117. Soaps.

118. Oils, fats and waxes, perfumed, and preparations of oil, fat or wax, perfumed.

119. Perfumed waters.

147. Isinglass.

154. Acetic acid.

155. Lactic acid.

156. Oxalic acid.

157. Tartaric acid.

166. Bicarbonate of soda.

167. Peroxide of soda.

171. Silicate of soda.

348. Stocking and socks.
349. Shawls, comforters and mufflers.
350. Neckties.
351. Trouser suspenders.
352. Belts.
353. Sleeve suspenders, stocking suspenders and the like.
355. Boots, shoes, slippers, sandals, clogs and the like.
356. Shoe laces.
357. Buttons, excluding those made of or combined with precious metals, metals coated with precious metals, precious stones, semi-precious stones, pearls, corals, elephant's ivory or tortoise shells.
358. Buckles, hooks, eyes and the like, excluding those made of or combined with precious metals, metals coated with precious metals, precious stones, pearls, corals, elephant's ivory or tortoise shells.
359. Jewellery for personal adornment.
360. Clothing and accessories or parts thereof, not otherwise provided for.
365. Blotting paper.
367. Packing paper and match paper; this applies only to match paper.
369. Wall Paper.
370. Pasteboard or cardboard (excluding papier-mache).
371. Chinese paper of all kinds.
376. Oiled paper.
377. Glass paper for window panes.
378. Paper not otherwise provided for.
379. Paper laces and paper borders.
380. Blank books.
382. Note paper in box.
383. Envelopes.
384. Albums.
386. Baryta paper, albuminized paper and sensitized paper for photographing (excluding Caryta Paper).
388-2. Wallboards.
389. Labels.
390. Playing cards.
393. Card calendars and block calendars.
394. Picture postcards.
395. Christmas cards.
401. Manufactures of paper or pulp, not otherwise provided for.
402. Silica sand, quartz sand and other sand and gravel not otherwise provided for; this applies only to Coloured.
409. Slate, and manufactures thereof, not otherwise provided for.
414. Stones and manufactures thereof, not otherwise provided for.
415. Amber and manufactures thereof, not otherwise provided for.
417. Meerschaum or artificial meerschaum and manufactures thereof.
424. Manufactures of gypsum.
432. Portland cement, Roman cement, puzzolana cement and hydraulic cements.
433. Manufactures of cement.
436. Bricks, excluding cement bricks (excluding fire bricks).
437. Tiles of clay.
437-2. Alundum tiles and the like.
439. Potteries, not otherwise provided for (excluding potteries for electrical use and unglazed).

444. Plate or sheet glass (excluding uncoloured or unstained, with flat face, not exceeding 1·5 millimetres in thickness).

445. Plate glass having inlaid metal wire or not.

452. Dry plates for photographs; this applies only to undeveloped plates (excluding negatives).

453. Spectacles and eye-glasses; this applies only to those with frames or handles of precious metals, metals coated with precious metals, elephant's ivory or tortoise shell.

454. Looking glasses or mirrors.

457. Glass manufactures, not otherwise provided for (excluding others of fused silica and for electrical use and safety glass).

475. Gilded or silverized metals.

484-2. Metal board or plates for ceilings, walls, etc. (enamelled, painted, varnished, lacquered).

487. Harpoons.

488. Anchors, iron.

489. Chains, not otherwise provided for (excluding iron gearing chains).

491. Chains for watches, spectacles, eye-glasses or other personal adornment.

493. Hinges, hat-hooks and metal fittings for doors, windows, furnitures.

494. Locks and keys.

496. Mechanics' tools, agricultural implements and parts thereof, not otherwise provided for; this applies only to shovels and scoops.

499. Cutlery, not otherwise provided for.

500. Table forks or spoons.

501. Corkscrews.

502. Capsules for bottles.

503. Crown corks.

504. Cartridge cases or shells, of metal.

505. Sewing or knitting needles, and pins, excluding those for personal adornment; this applies only to handsewing needles.

507. Copying Press.

509. Air-pumps for cycles.

509-2. Fire extinguishers.

510. Meat choppers.

511. Coffee mills.

512. Ice-cream freezers.

513. Iron pans for tea roasting or caustic soda manufacturing.

514. Stoves and parts thereof, not otherwise provided for.

515. Electric stoves, electric smoothing iron and similar electric heaters.

516. Radiators.

517. Bedsteads and parts thereof.

519. Numbering machines, dating machines, check perforators, [illegible] and the like, and parts thereof.

521. Manufactures of precious metals and metal manufactures combined or coated with precious metals, not otherwise provided for.

526. Watches.

527. Parts of watches; this applies to only Cases, including those having glasses [illegible]

529. Standing or hanging clocks.

528-2. Electric clocks, including master clocks and secondary clocks.

533. Binoculars or monoculars; this applies only to those with frames of precious metals, metals coated with precious metals, [illegible] corals, elephant's ivory, tortoise shell [illegible]

553. Photographic instruments (excluding those for cinematographs, microscopes, aeronautical use and weather observation).

554. Parts of photographic instruments (excluding those for cameras with lenses with a focal distance over 17 c.m. suitable for cinematographs, microscopes, aeronautical use and weather observation and screens for block making).

555. Phonographs, gramophones and other talking machines.

556. Parts and accessories of phonographs and all mentioned above.

557. Musical instruments, not otherwise provided for.

559. Telegraphic and telephonic instruments and parts thereof, not otherwise provided for; this applies only to Radio receiving sets and parts thereof.

560. Fire-arms and parts thereof (excluding pistols, whaling guns and parts thereof).

565. Cycles (excluding motorcycles).

566. Parts of cycles, excluding motive machinery and chains.

567. Vehicles and parts thereof, not otherwise provided for.

593. Blowing machines; this applies only to Electric fans.

609. Rattan (excluding unsplit).

610. Bamboo.

613. Wood pith, in sheet or not.

621. Plaits for hat-making.

622. Mats or mattings, made of vegetable materials, excluding textile fibres (excluding those for packing).

623. Manufactures of straw, panama straw, palm leaves, rushes, reeds, bamboo, rattan, vines, willow wicker, or the like, not otherwise provided for.

624. Umbrella stocks, walking sticks, whips and their handles.

625. Umbrellas and parasols.

626. Wood manufactures, not otherwise provided for; this applies only to those combined with precious metals, metals coated with precious stones, semi-precious stones, pearls, corals, elephant's ivory or tortoise shell, and those made of kwarin *tagasan* (Baryxylum rufum, Lour) tsuge, or box wood, red or rosewood, red sandal wood and ebony wood.

632. Celluloid and manufactures thereof, not otherwise provided for (excluding that in lumps bands, bars, or rods, plates, sheets, tubes, etc.).

632-2. Waste or old celluloid, fit only for re-manfacturing.

633. Galalith and manufacture thereof, not otherwise provided for.

634. Brushes and brooms; this only applies to those combined with precious metals, metals coated with precious metals, elephant's ivory or tortoise shells.

635. Lamps, Lanterns and parts thereof (excluding safety lamps, lamps for surgical use and those for light-houses).

638. Artificial flowers, including imitation leaves, imitation fruits, etc., and parts thereof.

639. Toilet cases.

640. Articles for billiards, tennis, cricket, chess, and other games, and accessories thereof.

641. Toys.

647. Articles, not otherwise provided for; this applies only to those combined with precious metals, metals coated with precious metals, precious stones, semi-precious stones, pearls, coral, elephant's ivory or tortoise shell.

CATEGORY "C".

69. Rabbit fur.

204. Naphthalin.

229. Nitric Acid.

295. Waste cotton fibre.

341. Cotton rag.

400. Waste paper.

470. Antimony and sulphite